printing and binding were reduced almost 40 percent. That is a giant step. Expenses for detailed printers were reduced almost 35 percent. We saved, in those two reductions, $5 million. The Rules Committee reduced committee funding 10 percent in 1993, another 15 percent under this resolution, and $5 million was saved in printing costs.

These facts indicate to this member of the Rules Committee that it is doing an excellent job of controlling costs, and thereby saving taxpayers' dollars.

I believe the 15 percent reduction cuts most committees to the bare bone. To cut further would impede, in this Senator's opinion, them from fulfilling their responsibilities to the Senate.

S. Res. 73 does not include extra funds that would permit us to add moneys to committees unless funds were reduced from one or more committees.

Mr. President, I have worked with my friend from Alaska now for a good many years. I was chairman, he was ranking. Now it is reversed. I do not see much change in the committee. Our friendship is the same. Our way of working together is the same. The accommodations are the same. We have, I feel, done an excellent job of working with the members of the Rules Committee and then transferring that out to the membership of the various committees. Some did not like the cut, told us so, and asked for something less. But when all was said and done, the 15-percent criteria was adhered to, and I believe it is proper.

But I want to reiterate that, if we cut much more and we have already cut to the barebone, the committees are responsible for certain reports and certain bills to report to the Senate. They have an obligation to their colleagues to do a good job, and I think if we cut more than 15 percent we would have restricted our committees in their ability to do this job as it relate to this institution.

So I am very pleased where we are. I believe the Rules Committee has reached a fair balance in funding Senate committees for 1995 and 1996.

I urge my colleagues to support this resolution. And my chairman has asked for the yeas and nays. It is my understanding, so there will not be any misunderstanding, that under the unanimous-consent agreement yesterday there will be no votes before 5 o'clock on Monday. And, therefore, the vote on this particular resolution will be at some time after 5 o'clock on Monday next.

I thank the Chair. I thank my good friend from Alaska.

I yield the floor.

Mr. STEVENS. Mr. President, I thank my good friend for his comments.

I want to emphasize what he said. It is not pleasant to turn to the colleagues and say that they must cut their staff or expenditures of their committees must be reduced. But that was our task. I think we have done it as fairly as we can. I think the fact that, to my knowledge, no amendments will be offered to this resolution indicates that we have either achieved our goal or intimidated our colleagues. But let history determine which is correct. We were fair. The Senator from Kentucky says we were fair. I think we have been fair. I do believe that it is an indication of what is coming in this Congress; that is, that we are going to be as frugal as possible in carrying out our duties in spending the taxpayers' money.

I do not have any other requests on this side. I might ask my friend if he has any request for time on that side.

CONGRATULATING THE RULES COMMITTEE FOR REDUCING THE SIZE OF SENATE COMMITTEES

Mr. CHAFEE. Mr. President, today we are considering the resolution that authorizes the funding levels for Senate committees for the next 2 years. I would like to offer hearty congratulations to the chairman and ranking member of the Committee on Rules and Administration for making substantial progress in reducing the growth of Senate committees.

The resolution before us authorizes $7.6 million less for this year than the 1994 authorization, and that is a step in the right direction. Most of the committee budgets were reduced by 15 percent plus a 2-percent COLA for salaries. Of particular significance are the cuts in the budgets for the three largest committees: The Committees on Governmental Affairs, the Judiciary, and Labor and Human Resources. The Rules Committee should be commended for reducing the budgets of Governmental Affairs and Judiciary by 1.5 percent above the 15-percent cut received by other committees. The chairwoman of the Labor Committee also deserves enormous praise for submitting a budget that cuts expenses by a whopping 25 percent.

During the 102d and 103d Congresses I offered amendments to reduce overstaffing on these three committees.

In 1991, I proposed capping the number of available committee staff positions at 1990 levels. The amendment I proposed in the 103d Congress would have used the Finance Committee, with its substantial workload, as a benchmark. Each committee's funding level for 1993 would have been the lesser of either 95 percent of the 1992 funding level, or 95 percent of the Finance Committee's funding level—except for the Appropriations Committee, which would be funded at 95 percent of its 1992 level.

Since the beginning of the committee system as we know it today, we have seen a rapid growth in the size of committee staffs. Some of that growth is understandable, but some is not. In 1950, there were 300 committee staff positions. By 1970, that number had more than doubled to 635. It had nearly doubled again to 1,212 by 1990. In 1992, there were 1,257 committee staff positions.

In 1993 some progress was made and the number of committee staff positions for which funding was made available went down to 1,196. Nevertheless, the number of staff positions for the three big committees remained at well over 100 for each—Governmental Affairs at 120, Judiciary at 128, and Labor at 127. This year, there are 947 authorized staff positions, and only one committee has more than 100 authorized positions.

I am very pleased to support this resolution.

Mr. FORD. Mr. President, I say to the Senator from Alaska that I have no requests for statements or amendments. I believe the unanimous-consent agreement last evening prevented amendments. Therefore, I have no one seeking the floor to make a statement today. I am ready and prepared to yield the time that has been allotted to me.

Mr. STEVENS. Mr. President, I yield the time allotted to me.

Mr. FORD. Mr. President, I yield the time allotted to me.

The PRESIDING OFFICER. All time is yielded.

Mr. STEVENS. Mr. President, As I understand it, we are off this resolution, and all time has been yielded on this resolution, and that there will be no further action necessary with regard to Senate Resolution 73. Is that correct?

The PRESIDING OFFICER. The Senator from Alaska is correct.

BALANCED BUDGET AMENDMENT TO THE CONSTITUTION

Mr. STEVENS. Would the Chair report the pending business at this time?

The PRESIDING OFFICER. The pending question is House Joint Resolution 1. The clerk will report.

The legislative clerk read as follows:

A joint resolution (H.J. Res. 1) proposing a balanced budget amendment to the Constitution of the United States.

The Senate continued with the consideration of the joint resolution.

Mr. REID addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I would like to take a few minutes this afternoon, until other speakers come to speak on the matter before this body, to kind of review what has taken place over the last few days in regard to the balanced budget amendment, and, specifically, the amendment that is now pending before this body, namely the Reid amendment to exempt Social Security.

There have been, I think, a number of interesting statements made. The one that has stuck in my mind since it was made is the one made by the Senator from North Dakota [Mr. DORGAN] where he talked about a trip that he took to Central America, and a helicopter in which he was flying ran out of fuel and he landed. While on the ground waiting to be rescued, he spoke to a number of Nicaraguans or Hondurans—I do not remember which—who were native to the area. One of the questions that he asked to a young woman there was, How many children do you have? She said, Three. He noted in the tone of her voice that she was disappointed. As the Senator from North Dakota went on to explain, in many parts of the world a person's security and their golden years is how many children they have been able to have because it is through the network of the children that they hope they will be maintained in dignity.

Mr. President, that is not the Social Security we have in this country. The Social Security that we have in this country is by virtue of an agreement made by the Congress of the United States in 1935 with the people of this country—60 years ago—where a very noble experiment was undertaken. That experiment said let us have an employee contribute a certain amount of their wages along with an equal amount from the employer, and we will put that into a trust fund. When that person, that employee, gets older, and is of retirement age, they will be able to draw in their retirement years money, an old age pension, if you will.

So I think it says a lot. It speaks volumes; that in this country the dignity of a person in their golden years is not determined by how many children they have been able to have but rather the fact that in this country we have a program that is no longer experimental but a program that works which is called Social Security. This, of course, does not take away from the fact that we should all be proud of the children we have. But certainly, this takes a burden away from the children, a burden that certainly becomes too much of a burden on occasion.

As we have proceeded with the debate, one of the things that I have noted with interest is the participation in these proceedings by the junior Senator from South Carolina [Mr. HOLLINGS]. The Senator from South Carolina has been in this body 28 years. He served as Governor of the State of South Carolina. He has been chairman of the Budget Committee. He is now the ranking member of the Budget Committee. He is a person that we look to for fiscal guidance.

I was, therefore, pleased that he joined in support of the Reid amendment, and as the debate has proceeded I think succinctly stated and summarized in a letter his position that he wrote to each U.S. Senator on the 9th of February where he said:

> Left alone, this provision would repeal Section 13301 and constitutionally endorse the violation. The Reid amendment presently under consideration corrects this unintended repeal by stating that the Social Security trust fund " . . . should not be counted as receipts or outlays for the purposes of this article."

Senator HOLLINGS goes on in his letter:

> John Mitchell, the former Attorney General, is known for the axiom, Watch what we do, not what we say. It should be made crystal clear that we mean what we say. If you want to continue to use the trust fund in breach of the trust, vote against the Reid amendment. If you want to maintain the trust—the contract with America made back in 1935—then please support the REID amendment.

Mr. President, the fact is that in addition to the support of the Senator from South Carolina, we have also received the support of the senior Senator from Alabama [Mr. HEFLIN]. Senator HEFLIN is the Senate's legal scholar and I would like to read a great statement that he made. Senator HEFLIN, a member of the Judiciary Committee, put out this bill with the report attached thereto. He recognized in the report, on page 72—I should tell those watching on C–SPAN, those in the offices who may not know, that a report is put out by the committee of jurisdiction on a particular piece of legislation.

The balanced budget amendment went to the Judiciary Committee. The Judiciary Committee reported out the bill with a report. Every piece of legislation, with rare exception, that comes to this floor is accompanied with a report. The purpose of the report, among other things, is it gives the Senate the views of what the committee meant in passing out the bill.

Senator HEFLIN filed a minority report and, among other things, in this statement he said—as you will recall, Senator FEINSTEIN, a member of the Judiciary Committee, offered an amendment that was the same as mine in the Judiciary Committee, which they turned down. Senator HEFLIN says in the report:

> I also support Senator FEINSTEIN's amendment to exempt Social Security from the balanced budget calculation. In the Budget Enforcement Act of 1990, Congress clearly declared that the Social Security trust fund is offbudget. In the past, surplus which has accumulated in the trust fund has been used to mask the true size of the Federal budget deficit.

I part briefly from the report language of Senator HEFLIN and state that it has been fairly well established on this floor on both sides of the aisle that this started in 1969, during the Vietnam war, when there were efforts made by the Congress and President Johnson to mask the size of the deficit that had accumulated as a result of the Vietnam war. So they started using, at that time, Social Security trust fund moneys to offset the deficit. That is what Senator HEFLIN is talking about here.

He goes on to say:

> Social Security is a self-financing contributory requirement program. Workers must contribute 6.2 percent of their salaries to the program, and employers are required to match that amount. These funds, by law, are held in trust, and the American people have a right to expect that Congress will maintain the integrity of that fund. The funds are now in surplus, and this is expected to continue until 2012.

That is what he said in the report. But he has come to the floor on more than one occasion during the past week and talked about this proposal; namely, that the opponents of my amendment are saying that they can use implementing legislation to exempt Social Security from the balanced budget calculations. Well, it is clear that attempts to protect Social Security through implementing legislation would simply be futile. Once the Constitution is amended to require that "Total outlays for any fiscal year shall not exceed total receipts for that fiscal year," Social Security is certainly in danger. And that is my authority that is renowned in the legal circles—Senator HOWELL HEFLIN, who previously was chief justice of the Alabama Supreme Court.

Senator HEFLIN said:

> This means that there will be a constitutional requirement that Social Security funds be considered onbudget. If the balanced budget amendment is adopted as presently worded, it would prohibit Congress from legislatively taking Social Security funds offbudget and would nullify the provisions of the 1990 Budget Enforcement Act, which requires Social Security funds to be considered offbudget.

Senator HEFLIN is a supporter of the balanced budget amendment, as is the Senator from Nevada, the minority leader, and the minority whip. But we have some significant concerns, Mr. President, about Social Security being used to offset the deficit, especially when we consider, as Senator HEFLIN said in the report, that Social Security moneys are accumulated in a trust fund.

It has been talked about here on the floor lots of times. The Senator from North Dakota [Mr. CONRAD] compared it to Jim Bakker, the infamous clergyman who went to jail because of his misrepresentations. The Senator from North Dakota said that he went to jail—Jim Bakker—as a result of saying he was collecting money for one reason and using it for another reason. Well, that is one way to describe our fiduciary relationship to trust fund moneys accumulated in the Social Security trust fund. We cannot spend those moneys for some other purpose.

Senator HEFLIN talked about implementing legislation, but just so the Record is clear, it is not only Democratic Senator HOWELL HEFLIN, a person whose integrity is unmatched, whose legal prowess is unmatched in this body. Let us look to someone else to see if they would come up with the same conclusion. Sure enough, we went to the Congressional Research Service, an arm of the Congress, and one of the attorneys in the law division, Kenneth Thomas, had this to say:

> Under the proposed language——

He is talking about the constitutional amendment.

> ——it would appear that the receipts received by the United States which go to the trust fund and the Federal disability insurance trust fund would be included in the calculations of total receipts, and that payments from those funds would similarly be considered in the calculation of total outlays. Thus, if the proposed amendment was ratified, then Congress would appear to be without the authority to exclude the Social Security . . .

I will read that again:

Thus, if the proposed amendment was ratified, then Congress would appear to be without the authority to exclude the Social Security trust funds from the calculations of total receipts and outlays under section 1 of the amendment.

That says it real clear—namely, that if House Joint Resolution 1 passes, it does not matter what Congress does with implementing legislation—or any other kind of legislation—to exclude Social Security; they cannot and we cannot. A future Congress cannot, because to do so would violate the Constitution, which would be House Joint Resolution 1. In effect, it says you must include the Social Security trust fund in balancing the budget. So that thing we passed earlier today is not worth the paper it is written on.

It is not worth the paper it is written on. It is only for show that people can go home and say, ''I voted to protect Social Security.'' It cannot happen.

Social Security has to be included. To not do so would be violating the Constitution. I did not write the constitutional amendment that is being sought to be adopted. It was written by someone else. And, sure enough, that is what it says. ''Total outlays shall include all outlays of U.S. Government except for the repayment of debt principle.'' That is what it says.

There has also been statements made from time to time that, ''Well, there are other ways we could legislate.'' Well, according to Senator HEFLIN it simply will not work. In fact, what we have done is made it even worse.

The House has passed a measure that is comparable to what we did here today. We are going to vote on my amendment on Monday or Tuesday. If the same action is taken in the Senate that was taken in the House, that would mean both bodies of this legislature, our bicameral system of government, both bodies turned down exclusion of Social Security. So if any court later considered the constitutionality of implementing legislation, I think they would have to look to the legislative history and they would determine it was not Congress's intent to keep Social Security off budget.

First, the House defeated a proposal to exempt Social Security. And if my amendment does not pass, you would have a second time. So there would be similar authority from this body as in the House. And a court reviewing the legislative history would likely determine that Congress had its opportunity to maintain the Social Security trust funds off budget but refused to do so.

If my amendment does not pass, Social Security trust funds, I believe, are gone. The great experiment that we have had for some 60-odd years will then have failed, not because Social Security has added one penny to the debt, because it has not, but because we in Congress were unwilling to exclude Social Security from trying to balance the budget.

It is really unfair that we would use Social Security receipts—unless there were an effort made really to do that—that behind all this there is a subtle effort made to get through this part of it and then go use the Social Security moneys.

One day this week, I was on a television program at noon with a little minidebate with former Senator Tsongas. And he was very candid. He said, ''Yes, we will use Social Security moneys to balance the budget.'' He did not mince any words. He was pretty clear.

The L.A. Times set out a little quote that I made here on the floor this week, where I said that there is about as much chance for this body to balance the budget without using Social Security trust funds as Evel Knievel was going to jump the fountain at Caesar's Palace. He just would have a real difficult time doing it. It could be done, but it would be difficult.

So I think we should stop playing games and recognize that there are some who want to use these moneys. I think we should exclude Social Security and then ratchet down to do what we can to balance the budget, which we would be obligated to do under the constitutional amendment.

Opponents of my amendment argue that statutes have never been incorporated into the Constitution and this would be an unprecedented constitutionalizing of a statute. But this is pure poppycock, Mr. President. Because this is the first time, of course, that we have tried to deal with an amendment to the Constitution dealing with fiscal policy. So certainly with a program as large as Social Security, we should understand in the confines of the balanced budget how we are going handle that.

The only way to protect Social Security is to specifically exclude it from the constitutional amendment because Congress would be without authority to attempt to exclude Social Security from the balanced budget calculations for any type of implementing legislation.

The Senator from California, Senator FEINSTEIN, has said the only way to save Social Security surpluses to pay for future retirements is to balance the budget exclusive of Social Security.

Opponents have also argued, Mr. President, if Social Security is put off budget, then Congress would have to raise taxes or cut spending, $69 billion this year alone, just to keep the deficit at the current level. This is what Chairman HYDE of the House Judiciary Committee referred to when he said, ''The effect on the other Federal programs will be draconian if Social Security is excluded from the balanced budget amendment.''

That is exactly the point that I am making. We are against using Social Security trust funds to balance the budget. We want to exempt Social Security because that is where the money is and that is what we must protect.

I have said a number of different times over this last couple of weeks that famous bank robber Willie Sutton, when released from prison, was asked why he robbed banks. He responded, ''Because that's where the money is.''

Well, Mr. President, in the next few years the huge amounts of money that will be accumulating in the Social Security trust fund will be where the money is. That is where people will look to balance the budget—this year, $70 billion; next year, $80 billion; the year 2002, over $700 billion; and a few years later $1 trillion and then $2 trillion and it rises to the point where there is $3 trillion in the Social Security trust fund if we do not take those moneys as we have in the past and divert them to deficit reduction.

Fifty-eight percent of all workers pay more FICA taxes than they do Federal income tax. Over half of the people in this country pay more in FICA taxes, that is Social Security taxes, than they do in income taxes.

And, as stated repeatedly, this Social Security is the most important contract we have with America. These surplus funds should be saved and not used to balance the budget.

Opponents also argue, Mr. President, that exempting Social Security in the constitutional amendment would create a loophole. That argument was made by my friend from Idaho this morning; that passing this amendment creates a loophole through which you could add other programs, try to define them in Social Security, and thus would be exempted from the requirements of the balanced budget amendment. That argument makes no sense, no sense, because the amendment offered by the Senator from Nevada is very specific. The argument is an exaggeration that it would create a loophole.

My amendment is intended to safeguard an easily identifiable and narrowly defined program—the old-age pension and disability insurance. Anything that changes the long-term actuarial plan of Social Security is subject to a 60-vote point of order before this body. If someone wanted to place education or foreign aid or aid to families with dependent children with Social Security, it would not work. You would need 60 votes to waive that.

Having Social Security exempted from the balanced budget amendment does not—I repeat, does not—create a loophole.

Legislation which proposes either increased Social Security expenditures or decreased taxes would be in violation of 302(F) and 311(A) of the Budget Act, and thus it would be subject to a budget point of order and require, I repeat, 60 votes to waive the Budget Act.

Some have also argued, Mr. President, that an exemption for Social Security would remove the incentive Congress would have in a balanced budget amendment to provide for a long-term solvency of the trust fund. One of the most interesting—and I cannot say most pleasant, but one of the most interesting—and educational times I have spent in Government was being a member of the Entitlement Commission which completed its work recently.

The Entitlement Commission, chaired by Senators Danforth and KERREY, was a bipartisan commission with an equal number of Democrats and Republicans. The commission was made up of elected Members of Congress, mayors, union leaders, and business leaders. A wide range of people made up that bipartisan commission. During the year we worked on that, it was very clear that the entitlements in existence in this country needed some work done on them.

It is also very clear one of the obligations we have is to look at tax policy in this country. It appears very clear to me that we must also examine tax policy in this country.

So, to say that an exemption for Social Security would remove incentive to strengthen Social Security is wrong. We all know that there has to be some changes made to Social Security. But they should be made separate and apart from the problems we are having with the rest of the Government. The Social Security trust fund should rise or fall on its own merits.

Therefore, Mr. President, I think this argument is fallacious. Social Security has also been funded by FICA tax to which over 95 percent of Americans contribute. These funds are used to pay recipients presently receiving Social Security. In the past, when it appeared to Congress that Social Security might be in jeopardy, we took care of that. We did it in 1977 and 1983. The proposal I have that is appearing before this body would not prevent Congress from making future adjustments in either the benefits or the FICA tax to keep it solvent.

The Republican measure, though, what is called S. 290, would prevent both the benefits and the FICA taxes from being changed. By freezing the levels of the benefits and the taxes, S. 290 guarantees Social Security's insolvency by the year 2029.

With Social Security, I think we can liken it to a ship which keeps itself afloat. Opponents of the Reid amendment tend to want to have the ship at least list if not sink. Social Security is a program that is publicly administered, a compulsory contributing retirement program. Financing to cover the cost of Social Security is provided by the flat tax levied on wages. They are not the Federal Government's funds, but are contributions that workers pay in and expect to get back.

Mr. President, I see my friend, the Senator from Iowa is present in the Chamber. I yield the floor.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER (Mr. SANTORUM). The Senator from Iowa.

Mr. HARKIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HARKIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARKIN. Mr. President, I first want to thank my friend and colleague, Senator REID, for his long and diligent efforts to ensure that the Social Security system in America remains sound and separate, to make sure that the people who are now receiving Social Security are not threatened by its reduction, and those who are working hard and paying into the system are assured it will be there for them when they retire. There is no one who has worked harder and longer and fought harder to protect Social Security than Senator REID from Nevada. I am proud to join him as a cosponsor on this amendment.

I am delighted to yield.

Mr. REID. I wanted the Senator to yield for a question or perhaps a statement.

I want to spread across this record one reason this debate has been so fruitful is that during the unfunded mandates debate, the Senator from Iowa offered a sense-of-the-Senate resolution to exclude Social Security from the balanced budget amendment. But for the Senator's aggressiveness on that matter during the days we spent debating that, we would not be in the posture we are today. This Senator from Nevada and the other 14 cosponsors extend to the Senator our appreciation.

Mr. HARKIN. Mr. President, I thank the Senator for those fine words, but I am literally following in his footsteps and proud to be a cosponsor with him on this amendment.

Mr. President, I have long supported a balanced budget amendment. I expect to do so again this year. However, there have been a number of issues raised concerning the amendment. Should there be a supermajority requirement for tax increases? Should there be truth in budgeting to require that the cuts necessary to reach a balanced budget by 2002 be specified? Should we make provision for times of recession when there are more demands on the Federal Government and tax receipts are down?

Each of these questions is very important and should be given the attention they deserve. Mr. President, the one issue that is of greatest concern and one that I think is necessary to address immediately, is whether Social Security should be allowed to be cut as part of the balanced budget amendment. Should Social Security funds be included along with all the receipts and deficits in calculating whether we have a balanced budget?

I have received hundreds of calls and even more letters from older Iowans who are scared to death that their Social Security will be cut to balance the budget. Almost all of these people subsist on little or nothing more than their monthly Social Security checks. They live on fixed incomes and are already struggling to meet the basics to pay for their food, utilities, and medical bills. A cut in their Social Security would literally mean for many not enough to eat or not enough to pay for their heating or phone or their medical bills.

When we talk about the average Social Security recipients, we are talking about people of very modest means. The average monthly Social Security payment to retirees is now $679 a month. That is $8,148 a year, just above the poverty level for a household of one.

Remember, for many senior citizens, Social Security represents 90 percent or more of their entire income. This is particularly true for older widows. For the majority of older widows, Social Security represents the bulk of what they have to live on. So it is perfectly understandable for them to be very fearful of potential Social Security cuts.

Mr. President, I should also note I am not just hearing from senior citizens. I am also hearing from middle-aged workers who are concerned that the surplus in the Social Security trust funds that are necessary to pay benefits when they retire will not be there. They are worried because they know that it may be just too tempting for politicians to dip into the growing Social Security trust fund surpluses to pay down the deficit.

And our workers have every reason to be worried. Today the surplus stands at about one-half trillion dollars. By the year 2010, the Social Security surplus is projected to reach $2.1 trillion. And by 2020 it will grow to an astounding $3 trillion surplus. That surplus is nearly two times the entire Federal budget for this year. It will be very tempting to be used to balance the budget. Some will say, a little bit out will not hurt. But, in fact, Mr. President, we need to not only protect against cuts in Social Security but in the coming years we will have to add to that surplus.

The current projections are that even with a $3 trillion surplus in the year 2020, the system will go bankrupt by around the year 2030, a mere 10 years later. So in the next 25 to 30 years, we are going to have to make some adjustments in the Social Security program to ensure that it remains sound beyond the year 2030.

But that is nothing new, we have made those adjustments in the past, and we will make those adjustments in the future. I will point out one that could be considered. We have a cap on income for those paying into the system. I think it is around $60,000 or $62,000 a year. So if you are making a million dollars a year in income, you pay the same into Social Security as someone making $60,000 a year, and that is not right. I think that level is going to have to be raised. That adjustment alone would help us immensely with the Social Security trust funds.

Mr. President, I hope the Senate does the right thing and adopts the amendment offered by Senator REID. A number of our colleagues, including myself, have cosponsored this. The Reid amendment is simple and straightforward. It is not convoluted. It simply puts in writing what just about everyone in this body says they are committed to. It explicitly exempts Social Security income and outlays from balanced budget calculations in the constitutional amendment.

Now, there be will be some to say, Why do we need this? We just adopted the Dole resolution a couple of hours ago. The Dole resolution agrees with the Reid amendment that Social Security is important and deserves to be protected. But, Mr. President, the Dole amendment is only a fig leaf and, I might add, a very small and a very transparent fig leaf. It offers little comfort to the millions of Americans who are so concerned about and dependent upon Social Security. What it says to them is clear: Protecting Social Security is not as important as balancing the budget. It says we need a constitutional amendment to balance the budget, but protecting Social Security, the financial security of millions of Americans, is not deserving of that same kind of protection and elevation in our system.

People who say that the Dole provision is enough are basically saying that protecting Social Security is not important enough to actually include in the Constitution.

The people who support the Dole resolution—I voted for it as a prelude to voting for the Reid amendment—but those who say they voted for the Dole resolution so now they do not need to vote for Reid are basically saying Social Security is important enough only to be protected through legislation to implement the balanced budget amendment, legislation that can be adopted and changed virtually overnight by a simple majority vote in the Congress.

What the Dole amendment says to senior citizens and future Social Security recipients is: Trust us, we'll protect you.

We have heard that one before. We have taken a number of important steps over the past few years to protect Social Security from abuse. In 1990, we took it off budget. This past year, we passed legislation to make Social Security an independent agency, so as to insulate it from politics and other programs. If we fail to specifically exempt Social Security from the proposed balanced budget amendment, we will effectively put Social Security back in the budget, and this would be a great step backwards.

So, Mr. President, those who support the Dole amendment and say now they do not have to support the Reid amendment are sort of like a used car salesman that says to a person buying a used car: Well, you don't need a warranty, just trust me. If anything happens to the car, just trust me, but you don't need a warranty. Just as none of us would do that and plunk down cold hard cash to buy something without some kind of warranty, we should not buy just the Dole amendment. We have to pass the Reid amendment to, once and for all, say to the people of this country that Social Security is so important, so important a part of our social and economic system that it deserves to be in the Constitution of the United States.

So let us do the right thing. Let us put our commitment into writing. Let us adopt the Reid amendment and really protect Social Security.

Mr. President, if the proponents of the balanced budget amendment are really serious—if they are really serious, as I am—about passing and getting it out into a form the States can support, then they ought to support the Reid amendment.

I have heard some rumors around here—and I am sure it comes as no surprise to anyone; I have not heard it said in any debate, but I am going to say it—I have heard it said around here that some of our friends on the other side of the aisle, some of the Republicans, are kind of secretly hoping that this does not pass because if it does not pass, then they can blame Democrats for not passing an amendment to balance the budget and use it in upcoming campaigns.

I hope that is not true, but it has been said around here, and I have heard it. I am sure everyone else has heard it, too. I hope that is not the case.

So I say to my friends on the other side of the aisle, especially those who rushed to support the Dole amendment, the fig leaf, if you really want to pass a constitutional amendment to balance the budget, you ought to support the Reid amendment. There are many in this body who, if the Reid amendment is adopted to exempt Social Security from the balanced budget amendment will then vote for the constitutional amendment to balance the budget, and I think then there would clearly be the votes to pass it.

I have heard, again, that there are some games being played. Then again, if the Reid amendment can be defeated, the balanced budget amendment will be defeated and it can be used as a campaign issue. Like I say, I hope that is not true. It is being said around here. We all know it.

So I say to those who like me are truly serious about having a balanced budget amendment, you ought to support the Reid amendment and do not in any way think that by supporting the Dole resolution that the elderly of this country are going to be fooled. There is not a smarter, more intuitively sage voter or citizen than our senior citizens. They have been around the block. They have watched us over the years. They know what happens in this place when Social Security gets a surplus and becomes very tempting to use to balance the budget. They are not going to be fooled by a fig-leaf vote for the Dole amendment.

I say to those who are really, truly serious about, A, protecting Social Security and, B, getting a constitutional amendment to balance the budget, I invite them to support the Reid amendment.

With that, I yield the floor.

Mr. CAMPBELL. Mr. President, I would like to take this opportunity to respond to the amendment introduced by my friend, the Senator from Nevada, Senator REID, and my other distinguished colleagues on this side.

Social Security, as well as Medicare, has been one of the most successful Government-run programs in the history of this country. Every hard-working, tax-paying American participates in these programs—we all have a vested interest in the Social Security program whether we are present or future beneficiaries.

As it stands now, Social Security is set to go bankrupt in 2029. Only a few years ago, the Social Security program was projected to go broke in 2036.

I acknowledge the fact that Social Security may be on the caboose of this balanced budget train because of its current surplus versus other more problematic programs like Medicare and Medicaid, but this program is still connected to the budget as a whole.

This Senator believes Social Security is vital to a high quality of life for all Americans. It is my belief that the Senators who are offering this amendment are doing so because they, too, believe Social Security is vital to our Nation.

There are indications that an exemption for Social Security is the only way to get the balanced budget amendment through the Senate. As a supporter of the balanced budget amendment, I hope that is not the case. Even so, to keep one of the largest programs in our country out of the balanced budget amendment discussion is fiscally irresponsible and wrong.

It's wrong because it would provide constitutional protection to a single statutory program—Social Security. The Constitution should not be used for this purpose. There are sound reasons to consider ways to keep Social Security solvent beyond 2029 in the coming years. Codifying Social Security in the U.S. Constitution prevents Congress from considering anything that may in fact be intended to preserve Social Security for the future.

The Constitution is not the place to set budget priorities, nor to enshrine statutes passed by Congress. Congress can exempt Social Security through statute.

I would also ask why not, if Social Security, any other worthy program? The argument that Americans have paid into Social Security and should not be denied getting those benefits rings hollow when we all know for a fact that a majority of current and past retirees are receiving or will receive far more in benefits than what they paid into Social Security plus interest. Americans also pay into a variety of very good and worthy programs as well, in the form of taxes. Should those worthy programs also be exempted using that kind of argument?

Keep in mind that the balanced budget amendment does not specify where the cuts will take place. This language only forces Congress to balance the budget by the year 2002. Year after year, Congress will have the authority, should this measure pass, to choose what cuts will come from what programs. Social Security would not necessarily have to be cut. This hype we are getting about how necessary it is to have a Social Security exemption in order to preserve benefits is driven by powerful lobbying groups and is unjustified. You and I know that Congress will not vote to cut Social Security benefits to those who need those benefits. There may be trimmings of benefits for the wealthiest of Americans, but we are not about to vote to deny benefits to the millions of Americans who rely on Social Security as their only source of retirement income. So a constitutional exemption is not necessary.

To prioritize which program or programs are worthy of exemption in the balanced budget amendment will only chip away, piece by piece, the value of a balanced budget amendment and pit one program against another.

Let me take just a few more minutes and read to you a couple letters I have received this month from Coloradans regarding the treatment of Social Security and Medicare, the two largest entitlement programs in our Federal budget. Take for example,

Donald Kynion, from Walsenburg, CO, who says ''I feel you should do what is best for the country. If changes in Social Security and Medicare are necessary then make them. Cut spending and too much government!''

Or listen to 72-year-old Edith Seppi from Leadville, CO, who says ''I hope you will be fair to all Americans and pass legislation that will cut the debt, even if we all must be a part of the cuts. I hope interest groups will not control the decisions you make. I hope you do what you believe is best for our country. So, count me in on the side that says do the best that you can.''

Doing the best that we can, is not allowing certain privileged programs to be exempt from this difficult task of balancing our budget.

If a family was forced to balance their budget for the month, could they be successful by omitting their mortgage payments? Where should this family then get the money to make this payment? Where then should Congress find the funds to pay the baby boomers when they retire?

I beg my colleagues not to exempt any program, no matter how successful or useful it is to us, from the balanced budget amendment. If we are forced to balance the budget, all programs on this train, whether they are Medicare, veterans pensions, unemployment compensation, SSI, and Social Security, will have a chance for a better tomorrow if we balance our budget today.

The balanced budget amendment gives this country hope for a better quality of life further down the tracks. Let's not derail this effort.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I would like to address the underlying amendment, the basic resolution seeking to amend the Constitution of the United States to put into the Constitution a provision requiring a balanced budget.

In my view, amending the Constitution would be economically unwise and constitutionally irresponsible. The amendment would have the very substantial risk of promoting economic instability, retarding economic growth and shifting the basis of our democracy from majority to minority rule.

Every time you talk about the problems connected with the implementation of this amendment, things get very fuzzy around here, but I think it is clear that we are inviting fiscal paralysis or court intervention in the conduct of economic policy, or both.

I wish to address two concepts that I think are very important in thinking about this amendment to the Constitution to require a balanced budget. One is the argument that is made and drawing a supposed analogy with the States that State and local governments have to balance their budgets; businesses have to balance their budgets; individuals have to balance their budgets; why does not the Federal Government operate under the same constraint?

Now, not only is this argument wrong factually—most State and local governments actually run deficits if they use the accounting principles which are used to compute the Federal budget—but this argument also fails to recognize the different responsibilities of the Federal as opposed to the State and local governments with respect to the overall functioning of the economy.

The State analogy is superficially attractive. Most States have some form of balanced budget requirement, either statutory or constitutional. But it needs to be clearly understood that many States maintain capital budgets which are not subject to the balancing requirement. Others have developed off-budget funding mechanisms to circumvent the balance requirement, or they use accounting rules which count some borrowing as a form of revenue for the balancing requirement.

Official data on the debt incurred by State and local governments gives a very different picture from this assertion that the States run balanced budgets. This chart shows that State and local government debt has been growing year by year. This chart begins in 1972 and runs out here to 1992, the amount of borrowing has increased steadily since 1972..

Now, how can this be? Everyone says State and local governments have to balance their budgets. Yet the amount of State and local debt has been on the upswing. In fact, we had a hearing before the Joint Economic Committee. Two Governors testified that having a balanced budget requirement in their State which they had to adhere to assured them a good credit rating.

Of course, the question then is why is a good credit rating relevant to you if you are required to run a balanced budget? They need a good credit rating because they do not run a balanced budget. They have a capital budget which they fund by borrowing. So they acknowledge that the balance requirement for the budget is only on their operating budget and that they make active use of a capital budget for which borrowing is allowed.

Now, this proposal before us makes no provision in the Federal accounting regime for a capital budget. It, in effect, would require the Federal Government every year to balance receipts with outlays, and it makes no provision whatever for what in most places is treated as a capital budget. Not only do State and local governments borrow for investment; the same thing is true of businesses and individuals. I could show you a similar chart geared to each of the major corporations in this country which would show that their amount of outstanding debt had increased over the years because they make prudent borrowing in order to enhance the investment capacity of their business and in order to be in a better position to compete.

Individuals do not balance their budgets every year. They run huge deficits in the year they buy a home or a car because they borrow in order to fund it. Yet everyone regards it as a prudent and reasonable practice to borrow on a capital debt, the use of which you then have over an extended period of time and to pay back over the lifetime of that capital asset the amount that you have borrowed and the interest charges upon it. Then you get the use of the capital asset now, in the present, and you amortize its use over time.

That is how people buy houses. The only people in the country who could afford to buy houses, if they were required to do it under the kind of regime you want to impose on the Federal budget, would be the very wealthy, who are in a position to pay for it out of their flow of income. The overwhelming percentage of people in this country are in no position to do that, and of course, what they do is they borrow. They incur a large deficit in the year they make the purchase, but they set it up with a schedule over time in order to make the repayment. As long as the amount they are borrowing is reasonably related to what their income is and their ability to repay it, everyone regards that as a wise and prudent policy to follow.

So the first point I wish to make is that the very concept of a balanced budget amendment is flawed in the sense that we do not have a capital budget at the Federal level. This requirement would require the Federal Government to fund capital expenditures in the operating budget, which, as I pointed out, is not done by State and local governments, it is not done by businesses, and it is not done by individuals.

Now, let me turn from this flaw in terms of not providing for a capital budget to address the fact that it does not allow for the workings of what is called countercyclical fiscal policy. Countercyclical fiscal policy is the effort to ameliorate the ups and downs of the business cycle. The fact is, that in the current budget framework we automatically try to offset the economic downturn. The deficits automatically increase because revenues decrease and the payout of unemployment insurance, food stamps, and other income stabilizers increase. If, in fact, in an economic downturn you try to balance the budget, you would only contribute to the downturn. You would make it worse. You would have deeper cycles of boom and bust. And that, of course, is what occurred throughout a good part of our history.

This chart shows the percentage change in our gross national product, beginning in 1890 and coming forward to today.

What this chart shows—and I think it is very important—is that after World War II we put into place what we called automatic fiscal stabilizers. We broke out of that pattern of thinking where we tried, when we went into a recession or an economic downturn, to balance the budget, thereby driving the economy even further into downturn.

That is what we used to do. And you can see when we tried to balance the budget during recessions we had tremendous fluctuations that took place in the economy. We had these huge swings up and down, and the downturns would go very deep.

During the Great Depression negative growth was 15 percent. As those who have read history know, it was an incredible time in this country. People were selling apples on the street corner, grass was growing in the streets, the wind was whistling through deserted homes in the rural areas of our country. We had other downturns where we had 8-, 10-, 12-percent negative growth in the course of the cycle.

Now, what has happened in large part as a consequence of these fiscal stabilizers is we have to be able to ameliorate the huge swings of the business cycle.

We still get the ups and downs, but they do not have the wild gyrations with all extremely harmful consequences. In fact, since the economic stabilizers have been in place we have rarely gone into a negative growth experience. Most of the fluctuations take place above the negative growth line. So while we get the ups and downs, we still manage to keep it within the positive growth range.

A rigid balanced budget requirement would have its most perverse effect during recessions. It would require the deepest spending cuts or tax increases in recessions, when revenues automatically fall far short of expenditures. We have learned over these last 50 years, as this chart demonstrates, to be more flexible with fiscal and monetary policy in responding to business cycle downturns. As a result, we have experienced less violent downturns than before. This chart clearly illustrates the moderation of downturns that have accompanied the more flexible fiscal policy of roughly the last 50 years.

Just this week, the Chairperson of the Council of Economic Advisers, Laura Tyson, wrote an op-ed piece entitled ''It's a Recipe for Economic Chaos,'' speaking on the proposal to amend the Constitution to require an annual balance budget. I want just briefly to quote some parts of that article.

Mr. President, I ask unanimous consent the full article be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. SARBANES. Ms. Tyson says:

> Continued progress on reducing the deficit is sound economic policy, but a constitutional amendment requiring annual balance of the federal budget is not. The fallacy in the logic behind the balanced budget amendment begins with the premise that the size of the federal deficit is the result of conscious policy decisions. This is only partly the case. The pace of economic activity also plays an important role in determining the deficit. An economic slowdown automatically depresses tax revenues and increases government spending on such programs as unemployment compensation, food stamps and welfare.

Let me just comment on that. As she points out, an economic slowdown automatically brings about an increase in the deficit because you lose tax revenues and you make payments out of the Treasury in terms of income support programs.

She goes on to note, then:

> Such temporary increases in the deficit act as ''automatic stabilizers,'' offsetting some of the reduction in the purchasing power of the private sector and cushioning the economy's slide. Moreover, they do so quickly and automatically, without the need for lengthy debates about the state of the economy and the appropriate policy response.

In other words, the economic downturn adjusts automatically. You do not have to wait until you are deep into the trough and you recognize that you are deep in the trough to take some action to do something about it. This proposal has a waiver provision in it which requires an extraordinary 60 votes, which of course raises the question: Would you be able to get that vote even if you were in a difficult circumstance? But even if we assume you can, by the time you are aware and perceive that you are in a difficult circumstance, you are well into your downturn. The downward momentum has begun.

The automatic stabilizers check that downward momentum the moment it begins to happen. So they act as a counterbalance. Not completely, because we get the ups and downs. But, as you can see over the experience of the last 50 years, we have markedly improved this performance and we no longer had the very deep dips into negative growth that we used to experience.

These deep dips into the negative represent people out on the street, unemployed. These represent the foreclosures on farms and on homes. These represent the bankruptcy of businesses, small and large. That is what these deep dips represent. They are not just lines on a chart. They represent a lack of activity out in the economy. As I have indicated, we have been able to check a good part of this over the last 50 years.

As Dr. Tyson goes on to say in her article:

> A balanced budget amendment would throw the automatic stabilizers into reverse. Congress would be required to raise tax rates or cut spending programs in the face of recession to counteract temporary increases in the deficit. Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

Let me just repeat that:

> Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

So Mr. President I hope people will think long and hard before we put ourselves back in a box that will return us to the approach that was taken before World War II. This problem extends back into the 19th century. This chart begins in the late 1800's, where we had these tremendous boom and bust swings in the economy, and we paid a very heavy price for that from time to time.

We have a situation now in which these automatic stabilizers work as we go into an economic downturn in order to help ameliorate the volatility of the economy and, as a consequence, we have experienced far less violent downturns in the last 50 years.

Finally, I want to just make reference to the assertions that are made that we can simply waive the balanced budget requirement. We are going to waive the Constitution. That is an interesting concept. There are no other provisions in the Constitution that are waivable. No one talks about waiving the Bill of Rights. I do not quite know how you have waivable principles in your Constitution which is, after all, designed for a statement of fundamental principle, not for matter to be waived away.

We do not put substantive policy into the Constitution. This is what will be happening here. In order to counter that problem, they say we are going to provide for a waiver through a three-fifths override provision. The waiver provision says this requirement is not an enduring principle, it is a matter of current judgment. As I say, no other constitutional principle—free speech, individual rights, or equal protection—can be waived by a three-fifths vote.

Finally, such a provision would permanently shift the balance of power from majorities to minorities in our society, violating the democratic principles upon which our Government is based. A three-fifths supermajority effectively gives control over fiscal policy to a minority in either House, not what the framers of the Constitution had in mind when they established our democratic form of Government.

I just want to quote from James Madison—he is the father of our Constitution—with respect to supermajorities.

This proposal before us has a three-fifths requirement, a 60-vote requirement. It is not three-fifths of those present and voting, it is a flat 60-vote requirement. It also has a requirement of 51 votes—again, not a majority of those present and voting—but of 51. You actually have to produce 51 affirmative votes to invoke other provisions.

Madison, in Federalist Papers No. 58, in addressing questions about supermajorities says, and I am now quoting in Federalist No. 58:

> It has been said that more than a majority ought to have been required for a quorum; and in particular cases, if not in all, more than a majority of a quorum for a decision. That some advantages might have resulted from such a precaution cannot be denied. It might have been an additional shield to some particular interests, and another obstacle generally to hasty impartial measures. But these considerations are outweighed by the inconveniences in the opposite scale. In all cases where justice or the general good might require new laws to be passed, or active measures to be pursued, the fundamental principle of free government would be reversed. It would be no longer the majority that would rule: the power would be transferred to the minority. Were the defensive privilege limited to particular cases, an interested minority might take advantage of it to screen themselves from equitable sacrifices to the general weal, or, in particular emergencies, to extort unreasonable indulgences.

That was James Madison's view of requiring extra supermajorities. In fact, the founders of the Constitution were very careful. They had this debate. It was an extended part of the debates in Philadelphia at the Constitutional Convention in the summer of 1787, and again it was the subject of debate in the ratification process across the States. But in those deliberations in Philadelphia, the founders were very careful. They required supermajorities in certain very, very limited instances. Of course, amending the Constitution itself was one of those very limited instances. Impeachment was another. Ratification of treaty was yet another. But I think it is very important to appreciate what Madison's perception was, and it was this perception that was reflected in the basic document.

I am not going to discuss today the danger that the courts would come in and intervene to implement this requirement although I think it is a very real danger, and I know Robert Bork and other scholars have written expressing that very concern.

We have amended the Constitution only 27 times in the history of the Republic. The first 10 amendments took place almost immediately. Those were the Bill of Rights. So I think it is accurate to say that we have amended it literally 17 times over the life of the Republic, over 205 years.

We have been very careful about amending this Constitution. It has been done only in certain, very limited instances, and I think in situations in which we had a very clear view of what the consequences would be. We lowered the voting age. That was a very clear provision. We provided for the direct election of Senators by the people rather than by the States. We changed the term dates for the President and the Congress. But the basic document has held steady throughout the more than 2 centuries of our Republic's history.

But putting this balanced budget requirement in the Constitution will undercut countercyclical economic policy, the very policy that has led to this very substantial improvement in economic performance in the post-World War II period. It would burden the Constitution and the courts with issues which should probably be decided by the President and by the Congress.

I think we need to be very careful. The courts have in some instances assumed jurisdiction over what I think are essentially executive and legislative policy matters. They have done that with respect to prison systems, for instance, in some States in the country, and there is a very real possibility that under this proposal they would be assuming an extended authority with respect to budget and fiscal decisions, decisions which should properly in my view be decided by the executive and the legislative branches interacting as provided for in the Constitution. In addition, it would shift the principles of our democracy from majority to minority rule.

The Constitution is a relatively brief general statement defining the political and civil liberties of our citizens and the defining of the framework of our Government. It does not establish any specific domestic policy or foreign policy or economic policy. We do not put the substance of policy into the Constitution out of a belief that you make substantive policy through the interaction of the Congress and the President.

Because of its focus on universal principles, the Constitution has endured for over two centuries despite the dramatic changes in American society.

I think it is clear that we should proceed with great caution any time we come up against amending our basic charter.

The desire to put a balanced budget amendment into the Constitution is frequently justified in the name of political expediency. It is put forward as a way of supposedly addressing the problem of the deficit. I have voted here on occasions for both spending cuts and tax increases in order to bring about a deficit reduction. And I have a concern about placing on future generations the consumption of the current generation. I have a different view when we talk about capital investment, as I indicated at the outset, because I think a very prudent case can be made as to why it is a sensible and wise economic policy to borrow in order to purchase a capital asset which will then be used over an extended period of time.

Enacting a constitutional amendment itself will not bring about that deficit reduction. The deficit reduction will come about through the actual enactment of measures involving expenditures and revenues, as we did in August 1993 when we passed the deficit reduction program which has worked quite well and has brought down the deficit in a very significant and substantial way.

I just want to come back to this point of the fluctuation for a moment. It is very important to understand that if the economy starts downward, and we do not try to offset that as we have done by these fiscal stabilizers, the economy will worsen. As it worsens, your deficit grows. If you take more and more extreme measures to try to bring the deficit under control during an economic downturn, you only drive the economy further down which means your deficit only gets larger. So the problem compounds itself. You in effect end up working at counterpurposes. No one wants to go back to this situation that we used to confront before economic stabilizers were in place. But I say to my colleagues, we have to be exceedingly careful. We may be throwing ourselves right back into the difficulties that we confronted earlier in this century and which were particularly marked with the Great Depression.

Mr. President, you address the deficit by dealing with real measures to address spending and revenues. We ought not to lock into the Constitution a provision which is faulty in its concept since it lacks a capital budget, which all the State and local governments have, and which is faulty in not providing for a way to address economic downturns and, therefore, it carries the risk with it that the economy would be precipitated into very deep downswings in the economic cycle, and we would pay the price across the country of people out of work, the mortgages on homes being foreclosed, small farmers losing their farms, and small businesses going bankrupt.

Mr. President, I yield the floor.

EXHIBIT 1

[From the Washington Post, February 7, 1995]

IT'S A RECIPE FOR ECONOMIC CHAOS

(By Laura D'Andrea Tyson)

Continued progress on reducing the deficit is sound economic policy, but a constitutional amendment requiring annual balance of the federal budget is not. The fallacy in the logic behind the balanced budget amendment begins with the premise that the size of the federal deficit is the result of conscious policy decisions. This is only partly the case. The pace of economic activity also plays an important role in determining the deficit. An economic slowdown automatically depresses tax revenues and increases government spending on such programs as unemployment compensation, food stamps and welfare.

Such temporary increases in the deficit act as ''automatic stabilizers,'' offsetting some of the reduction in the purchasing power of the private sector and cushioning the economy's slide. Moreover, they do so quickly and automatically, without the need for lengthy debates about the state of the economy and the appropriate policy response.

By the same token, when the economy strengthens again, the automatic stabilizers work in the other direction: tax revenues rise, spending for unemployment benefits and other social safety net programs falls, and the deficit narrows.

A balanced budget amendment would throw the automatic stabilizers into reverse. Congress would be required to raise tax rates or cut spending programs in the face of a recession to counteract temporary increases in the deficit. Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

A simple example from recent economic history should serve as a cautionary tale. In fiscal year 1991, the economy's unanticipated slowdown caused actual government spending for unemployment insurance and related items to exceed the budgeted amount by $6 billion, and actual revenues to fall short of the budgeted amount by some $67 billion. In a balanced-budget world, Congress would have been required to offset the resulting shift of more than $70 billion in the deficit by a combination of tax hikes and spending cuts that by themselves would have sharply worsened the economic downturn—resulting in an additional loss of 1¼ percent of GDP and 750,000 jobs.

The version of the amendment passed by the House has no special ''escape clause'' for recessions—only the general provision that the budget could be in deficit if three-fifths of both the House and Senate agree. This is a far cry from an automatic stabilizer. It is easy to imagine a well-organized minority in either House of Congress holding this provision hostage to its particular political agenda.

In a balanced-budget world—with fiscal policy enjoined to destabilize rather than stabilize the economy—all responsibility for counteracting the economic effects of the business cycle would be placed at the doorstep of the Federal Reserve. The Fed could attempt to meet this increased responsibility by pushing interest rates down more aggressively when the economy softens and raising them more vigorously when it strengthens. But there are several reasons why the Fed would not be able to moderate the ups and downs of the business cycle on its own as well as it can with the help of the automatic fiscal stabilizers.

First, monetary policy affects the economy indirectly and with notoriously long lags, making it difficult to time the desired effects with precision. By contrast, the automatic stabilizers of fiscal policy swing into action as soon as the economy begins to slow, often well before the Federal Reserve even recognizes the need for compensating action.

Second, the Fed could become handcuffed in the event of a major recession—its scope for action limited by the fact that it can push short-term interest rates no lower than zero, and probably not even that low. By historical standards, the spread between today's short rates of 6 percent and zero leaves uncomfortably little room for maneuver. Between the middle of 1990 and the end of 1992, the Fed reduced the short-term interest rate it controls by a cumulative total of 5¼ percentage points. Even so, the economy sank into a recession from which it has only recently fully recovered—a recession whose severity was moderated by the very automatic stabilizers of fiscal policy the balanced budget amendment would destroy.

Third, the more aggressive actions required of the Fed to limit the increase in the variability of output and employment could actually increase the volatility of financial markets—an ironic possibility, given that many of the amendment's proponents may well believe they are promoting financial stability.

Finally, a balanced budget amendment would create an automatic and undesirable link between interest rates and fiscal policy. An unanticipated increase in interest rates would boost federal interest expense and thus the deficit. The balanced budget amendments under consideration would require that such an unanticipated increase in the deficit be offset within the fiscal year!

In other words, independent monetary policy decisions by the Federal Reserve would require immediate and painful budgetary adjustments. Where would they come from? Not from interest payments and not, with such short notice, from entitlement programs. Rather they would have to come from either a tax increase or from cuts or possible shutdowns in discretionary programs whose funds had not yet been obligated. This is not a sensible way to establish budgetary priorities or maintain the health interaction and independence of monetary and fiscal policy.

One of the great discoveries of modern economics is the role that fiscal policy can play in moderating the business cycle. Few if any members of the Senate about to vote on a balanced budget amendment experienced the tragic human costs of the Great Depression, costs made more severe by President Herbert Hoover's well-intentioned but misguided efforts to balance the budget. Unfortunately, the huge deficits inherited from the last decade of fiscal profligacy have rendered discretionary changes in fiscal policy in response to the business cycle all but impossible. Now many of those responsible for the massive run-up in debt during the 1980s are leading the charge to eliminate the automatic stabilizers as well by voting for a balanced budget amendment.

Instead of undermining the government's ability to moderate the economy's cyclical fluctuations by passing such an amendment, why not simply make the hard choices and cast the courageous votes required to reduce the deficit—the kind of hard choices and courageous votes delivered by members of the 103rd Congress when they passed the administration's $505 billion deficit reduction package?

Mr. GORTON addressed the Chair.

The PRESIDING OFFICER. The Senator from Washington [Mr. GORTON] is recognized.

Mr. GORTON. Mr. President, the debate over the relationship between Social Security and the balanced budget amendment seems now to be drawing to a close. The truly vital vote on the subject was cast just a few hours ago, evidencing the attention this Congress will pay to the security of our Social Security system.

Early next week, I believe the Reid amendment will be tabled. A mention of Social Security will not be added to the Constitution of the United States. I believe that both sides in this debate share a deep and sober dedication to the viability of our Social Security system. I am delighted that we had an opportunity earlier today to vote overwhelmingly our dedication to seeing to it that none of the promises made to our senior community are repudiated in any respect whatsoever.

Now it is only required of us that we deal decisively with this proposed addition to the Constitution on the subject of Social Security and go on to passing a balanced budget itself, the prospects for which, it seems to me at least, have increased dramatically during the course of this week.

Despite the dedication of those who have proposed this addition to the Constitution, in fact, adding this reference to Social Security to the Constitution of the United States would clearly undercut the very security they say they seek. Once you take this large, vital portion of the money which is collected by the Government in the United States and distribute it to beneficiaries by the Government of the United States and place it outside of the constitutional limitations on spending, which we propose, you run the overwhelming risk that some new Congress, faced with the unpleasant task of balancing the budget without ever being able to count Social Security, would simply lower the Social Security payroll tax and substitute for it a new general fund tax to balance an incomplete budget, while at the same time greatly risking the sanctity and the security of the Social Security trust fund.

Or perhaps an equally imaginative Congress, faced with the same difficult choices but with this huge loophole, will simply define other programs for the benefit of the elderly; for veterans; or for that matter, for children; as Social Security, and have them paid for out of the trust fund, therefore saving money on the balance of the budget and making the tasks of those Members of Congress easier than they otherwise would have been.

The common thread running through these and other similar examples, Mr. President, is the fact that we do not treat the budget of the United States as a unitary whole. We give future Members of Congress the ability overwhelmingly to play games—games which have nothing to do with the amount of money the United States is taking in in taxes and fees, or alternatively with the amount of money that is going out, being spent. A simple redefinition of the tax, a simple redefinition of a spending program without any change in substance, could manipulate the impacts of the balanced budget amendment. Almost certainly, any such manipulation would be to the detriment of the Social Security trust fund.

So, Mr. President, rather than buttressing our promises with respect to Social Security, the Reid amendment, over a period of years, will seriously undercut them. Those who drafted and those who most enthusiastically supported the motion of the distinguished majority leader, Mr. DOLE, on this subject are, by and large, those in this body like myself who, 2 years ago, repudiated the President's attempt to limit or even eliminate certain Social Security cost-of-living adjustments. They were those, like myself, who fought—unfortunately, unsuccessfully—against a 70-percent tax increase on a number of Social Security recipients' incomes just 2 years ago. They are, by and large, the people who believe, as I do, that we should reduce or eliminate the earnings test on the earned income of Social Security recipients and encourage them to keep on contributing to our society.

Those of us who wish to protect Social Security by defeating the Reid amendment, who have shown our dedication to Social Security by our enthusiastic support of the Dole motion, and who have shown that in past years by our actions with respect to Social Security are truly those who will protect those whose lives depend on the security and sanctity of that system.

So, as I have said, Mr. President, I believe we are close to the end of this debate and that this debate will end, as it should, in retaining the balanced budget amendment in its original and pristine form, and at the same time providing the highest degree of protection for the Social Security system itself. As a consequence, we will, once again, be back debating the fundamental issue which has been before this body: Are we for the status quo? Do we think the system which has led to a $4 trillion debt, which promises us, through the President's budget, $200 billion, more or less—generally more—in deficits forever; that this is a system with which we should be content; that generalized promises of doing better in the future are all that is required? Or, Mr. President, will we be found with those who say the system is broken down and that only outside discipline, only a discipline which can be provided effectively by the Constitution of the United States itself, will cause Presidents and all Members of Congress, Republicans and Democrats, liberals and conservatives, to operate under the same rules and will require them to exercise the discipline necessary to balance the budget of the United States?

Those who are comfortable with, those who favor, the status quo, those who think that the job that has been done is a fine job will align themselves with the opponents to this constitutional amendment. Those who feel that we need to act differently, that we need to operate under different rules, that we need to be a part of a constructive resolution to do the job this country demands of us will vote in favor of House Joint Resolution 1 and submit this constitutional amendment to the people of the States.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, I ask unanimous consent that I be allowed to proceed as if in morning business for not to exceed 10 minutes for the purpose of introducing a bill and making a brief explanation of it.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Nebraska is recognized.

Mr. EXON. I thank the Chair.

(The remarks of Mr. EXON and Mr. DORGAN pertaining to the introduction of S. 387 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

(Mr. COCHRAN assumed the Chair.)

Mr. DORGAN. Mr. President, I would like to turn now to the Reid amendment and the constitutional amendment to balance the budget.

Senator REID has done, I think, a great service for this institution to raise this issue, and it is a critically important issue. This is not a debate about whether we should balance the budget. Everyone here in this Chamber understands our responsibilities. This is not a debate about "whether"; it is a debate about "how" we address this crippling fiscal policy problem in this country.

Some have said that there is great uncertainty and it is hard to estimate what a deficit might be. I heard the Senator from Nevada earlier, I believe probably yesterday, in which he talked about one of the reasons for the uncertainty is that we do not always know what will happen to change the deficit or change the receipts or change expenditures.

He mentioned the Federal Reserve Board. Actually, the Federal Reserve Board has increased interest rates seven times in a year. Seven times the Open Market Committee—paradoxically it is called the Open Market Committee, though it meets in a closed room, behind closed doors. I call it the "closed market committee." They had a national mandate for all Americans. What does it do to the Federal budget? It increases the cost of the Federal budget.

I just received some information that I had asked be developed by a number of sources, and I would like to share it with the Members of the Senate, that respond to some of the points that the Senator from Nevada made.

First, let me talk about the national costs. The Federal Reserve Board-imposed interest rate hikes in the last year or so have been the following:

Home mortgages will be increased by $35 billion over the next 5 years. That is what people will pay additional on their home mortgages. In other words, the Fed has said to people out there who own homes, we will send you a bill for $35 billion more dollars. No democracy there. There is no debate about that. That is what the Fed said: We will send this bill.

Small businesses will pay about $96 billion more in the next 5 years as a result of the seven interest-rate increases.

Home equity and credit card loans will increase $86 billion over the next 5 years.

And especially, the point the Senator from Nevada was making, the Federal Reserve Board by its action has increased the cost to the Federal Government during this coming 5-year budget period, has increased Federal spending by $171 billion. How did it do that? The Federal Government will pay now $171 billion more to finance its debt than it was estimated to have to pay under the old interest rates.

So, when we talk about balancing the budget in revenues and expenditures, here is something the Fed did that says we will ask the Federal Government to assume $171 billion in higher deficits over the next 5 years because we are imposing higher interest rates.

I suppose one could say this ought not be criticized if one thought that the Fed was doing it in a justifiable way. The fact is, there is no credible evidence of inflation on the horizon. They are fighting a phantom, nearly invisible, opponent and, in my judgment, they simply believe they are a set of human brake pedals whose sole design is to bring the economy to a standstill. They apparently believe their mission in life is making sure unemployment never goes below 5 percent and making sure economic growth never goes above 3 percent.

I have no idea how they came up with those economic theories. I have no idea which schools teach that. Obviously, they collected it from somewhere and they are able to impose it because the Federal Reserve Board is unaccountable to virtually anyone at this point.

The point the Senator from Nevada made is that some things are very hard to predict. And $171 billion added to the deficit in 5 years is hard to predict, especially if no one is able to determine what the Federal Reserve Board is going to do.

I feel very strongly, as I think do many Republicans and Democrats in this Chamber, that if you were to rank the challenges we face in this country, near the top of that list—maybe at the top of the list—is the challenge of bringing this crippling fiscal policy problem under control. These budget deficits threaten this country's future. It is very simple. Everybody says it. Nobody ever does much about it.

All of us—I say us—want to appear to be the ones to have the answer and the others do not. The conservatives especially say, ''We're, the conservatives, and its the other people's fault.'' We say, ''Gee, it's—.'' It is everybody's fault. Republicans and Democrats, Presidents and Congresses, have been unable to come to grips with a budget which links entitlement programs to inflation so they continue to increase automatically, and links taxes to inflation the other way so it holds them down and you have a disconnection; therefore, you have very significant budget deficits. And it does threaten this country's future.

So the question we come to the floor with today is, how do we respond? Not whether—how? The Senator from Utah asked the question whether some want to respond to this by raiding Social Security trust funds, a program which, incidentally, does not cause one cent of the Federal budget deficit. This year the Social Security System will take in nearly $70 billion more than it spends, so it is not causing one penny of the Federal budget deficit. That is by design. We want to save by design right now to be able to pay for the baby boomers when they retire.

So the question the Senator from Nevada asks is a simple question: Do those who want to balance the Federal budget want to break the promise and go into the Social Security trust funds, yes or no? It is like the old binary system, you have two choices, yes or no. It is not difficult. It is not rocket science. One can answer that yes or no.

I want to tell a brief story about something that happened in North Dakota in the year 1867. In the year 1867, the Philadelphia Inquirer, a newspaper in Philadelphia, published a story in their newspaper about how the military garrison at Fort Buford, ND, had been wiped out. This Philadelphia Inquirer story said the military garrison under the command of Colonel William Rankin up at Fort Buford, northwestern North Dakota, had fallen. Thousands of Indians, they said in their story, swept down and took over that Fort Buford and wiped it out. It said Rankin actually shot his wife rather than let her be captured during that siege. Then it said Colonel Rankin himself, who led that military outpost, was burned at the stake.

President Andrew Johnson, President at the time, came under attack by political foes, and congressional investigations were called, wondering how could this happen in our country. General Sherman said that he was embarrassed that he had no firsthand information about it.

And then later the truth.

The story was an April fool's story. It never happened. It just did not happen. The worst episode at that Fort had been a single cannon shot which had scattered a small band of Indians. So this story about massacre that spread across the Nation, had the President responding, generals embarrassed, and Congress calling for investigations during a time, of course, of slower communications, radically slower communications in 1867, never happened. It was a hoax. The massacre hoax at Fort Buford, ND.

Well, we have seen a lot of hoaxes. The American people have seen a lot of hoaxes. The question, I suppose, one might ask now is: What is the hoax here? Is it a hoax for people to believe that maybe we can deal with these budget deficits and try and respond to our children's future in a positive way, or is it a hoax? Is it just one more empty promise, one more promise to make and then break? That is the question.

I have spoken several times on this, and I have not been one who said if this amendment does not pass, I am going to vote this way or that way on the underlying constitutional amendment. I have avoided saying that for a very specific reason. Because I view this as a very solemn responsibility.

The U.S. Constitution, which I brought to the floor before, is quite a sacred document. It says, ''We the people.'' That is the way it starts, ''We the people.'' Senator BYRD says this is ''my contract with America,'' the American Constitution. It is a pretty good contract to start with and to end with. ''We the people.''

What can ''we the people'' in this country expect from our leaders? The senior Senator from Utah, Senator HATCH, for whom I have great affection, says, ''Let's pass an amendment to change the U.S. Constitution.'' The senior Senator from Maryland, Senator SARBANES, someone for whom I have great respect, says, ''No, that would be the wrong thing to do.'' There is real division in this Chamber about what to do. Not whether it is a good idea to bring into balance the budget deficits, to strive to stop spending money we do not have, often on things we do not need and mortgaging our children's future. It is not a question of whether or a difference on whether, it is a question of how.

I take a look at what we face in the coming years, and I see enormous deficits in the out years, under virtually everyone's proposals.

I have said, and I do not mean this in a pejorative way, the conservatives say, ''Gee, we have this Contract With America and here is what our plan is: We want to increase defense spending, we want to cut taxes and we want to balance the budget.''

And we said, ''Gee, we know you are people of good faith, but could you share with us how that is all possible? Haven't we heard this before? How could you possibly do that? How do you cut your revenue, increase one of the largest areas of spending and balance the budget?''

So we offer a right-to-know amendment, and they say, ''No, we do not want to get into details and make people's legs buckle.'' A Congressman in the other body said, ''If we provide the details, it would make people's legs buckle.'' What would make them buckle? We would like to understand how you get from here to there, because we want to get there as well. We share the desire to get to the same destination.

The question that Senator REID is asking with his amendment is not whether we should pass this constitutional amendment to balance the budget. I have voted for one in the past and may vote for one again. The question he asks is how, in doing so, will the Social Security funds be treated? Will we decide on the one part of the Contract With America to increase defense spending, at a time, incidentally, when the U.S.S.R. is gone, there is no Soviet Union, the Berlin Wall is down, the cold war is largely over? Will we increase defense spending and resurrect Star Wars, one of the goofiest gold-plated weapons systems, so out of step with reality and so unnecessary for this country? Will we do that? And if we do that, how will we pay for it?

Will some decide, ''Well, there is one way to pay for it. There is $70 billion in the Social Security trust funds just this year we raised but did not spend. That is sitting there. We can pay for it that way.'' Except, that is a contract. We said to the American people we are going to collect more from your paychecks in order to save it, and those who say let us balance the budget and increase defense spending and cut taxes, who might look at that Social Security trust funds as one giant golden goose, they, I think, will be breaking a promise with the American people.

So we are saying in this amendment we would like to see if everyone here will pledge to keep the promise.

I would not suggest that there should not ever be changes in the Social Security system. Any changes in that system ought to be made for one reason, and that is to make the system whole. The Social Security system ought to be made viable, and it ought to be made solvent for the long term. But changes in Social Security must be made for its own sake, for the sake of preserving that system, not because someone wanted to do something else to cut taxes or increase defense spending.

We face staggering challenges in this country, and I could list some of them. I do not have to do that at great length. But all of us understand how difficult these challenges are. The challenges include environmental challenges, clean air, clean water. Does anyone here not want clean air to breathe or clean water to drink? Of course, we do. The epidemic of teenage pregnancies among unwed mothers; a welfare system that seems out of whack, has the wrong incentives; a staggering number of people who are left behind in our country.

Two days ago I saw again a press story that said more American children live in poverty today than ever before. More American children are poor than ever before in this country.

These are staggering challenges to which we have a responsibility to respond. The question is, how do we do that? We do that in part with a Federal budget. And there are plenty of needs for which we must make investments. But we must, at the same time we do that, pay for them.

I am not someone who comes here to talk about a balanced budget amendment or the Reid amendment and says, as far as I am concerned, let us fold up the tent and just shut down shop here at the Government.

There are a lot of things we do I am proud of, I care about, and I am going to fight for. A commitment to this country's children is first and foremost. If we are not willing in these discussions, all of these discussions, even as we strive to balance this budget— and I will help do that—if we are not willing to stand up for this country's children, all of us, and say, those of you who are disadvantaged, we are going to give a head start; those of you who need help, we are going to give you an upward bound program; those of you who are hungry, we are going to give you food, we are going to help you find something to eat; those of you who need shelter, we are going to help; those of you suffering abuse—physical abuse, sexual abuse—we are going to help.

Right now there is a place in this country with a stack of files on the floor. As I speak, a stack of files alleging child abuse against young children is lying unexamined because there are not enough people to investigate these charges. Physical violence and sexual abuse files are sitting on the floor. People have alleged that young children are victims, and there is not enough money for those folks out there to investigate them. It just breaks your heart, brings tears to your eyes to hear stories of these kids. And to think somewhere tonight there is a 3-year-old or 4-year-old out there who is going to suffer abuse and someone knew it, because it was complained about before and it did not even get investigated.

My point is this. We must make a commitment to the children in this country. Someone once said 100 years from now it really will not matter how much your income was, it will not matter how big a house you lived in, if the world is a better place because you were important in the life of one child. We can be important in the lives of every child in this country. It is a question of deciding what is important for us. It is important to balance the budget because those children inherit the debt. If we are unwilling to pay for the things we now consume as a country, the children inherit that debt. So it is important to do that.

It is also important with respect to what we spend money on to understand that children come first in this country. This country's future is the future of its children. We are going to have, I think, very substantial debates, fights later this year about what to spend money on.

Let me go back to this issue because it is not an unimportant issue. It is such a clear issue to me. We have people who, at a time when more children are living in poverty than ever before in the history of this country, when we have children who are hungry and homeless, say, well, now is the time for us to rebuild star wars; it is time now; we need a new gold-plated weapons program in defense; we need to build star wars.

I do not even understand what kind of thinking produces that sort of nonsense, but people believe it. Some people do. If they propose it, they will fight for it. And do you know, it is a lot easier to get money for a weapons program, a lot easier to get money to build a weapons program, than it is to get money to try to investigate charges of child abuse. I tried last year to get $1 million to help those people to investigate those charges.

We have to do better than that. We have to change. We have to change with respect to the priorities we decide are important in this country's future, what we invest in, what makes us a good country with a good future. But we also have to change.

The Senator from Utah and others are absolutely right; we have to change, change this stream of deficits that hurt this country. And we can do it. There is nobody better qualified to do it than the American people now today, to start today. And it may be the constitutional amendment is the way to do that. If it ratchets up even with a small percent the chance of doing it, then I think we will have served some good purpose. But not if while serving that good purpose we break another solemn promise of saying we are going to raid the Social Security trust fund to do it.

Some people in here, it seems to me, are afraid to ask for responsible choices from the American people. I think it is reasonable to ask the people to make choices.

Let me give you an example. In this country, we spend nearly $400 billion on gambling. We gamble more in this country than we spend on defense, which is one of the largest items in the Federal budget. So someone says well, gee, if you propose a 1-cent gas tax, people get all upset. Sure, I understand that. But the fact is we must force people to make choices. Some choices are very hard to make. Nobody would ever want to pay an increased tax and no one wants spending cuts in areas where spending benefited them. And yet the solution, it seems to me, is probably going to have to in the long run be both, in one measure or another.

We cannot continue to ignore the problem, and I say to those who bring this to the floor I think they do justice to this country's agenda because it is something we ought to be debating and we ought to force the Congress to deal with it.

I do hope, however, that as we do this we will do it the right way. And the right way, it seems to me, would be, when we vote on Monday on the Reid amendment, to decide to vote yes, to tell the American people we have a number of contracts going on around this country. One is a political contract called the Contract With America. Another is the fundamental contract called the U.S. Constitution, which supersedes it all and has made it all possible.

Under the Constitution we have made a promise, probably one of the most successful promises ever made and a promise that I expect to be kept for decades to come, and that is the promise of Social Security.

The Senator from Nevada I guess mentioned this morning again the story I told yesterday about landing in a helicopter that was out of gas in Nicaragua. I was up in the mountains actually by Honduras, between the border of Nicaragua and Honduras, and discovering up there for the first time what Social Security meant. I was talking to the people, campesinos, and discovered that they do not have Social Security. They have as many children as they can have during the childbearing years and hope that maybe, if the children are lucky enough to grow old, the children will provide for the parents who raised them. If you are lucky enough to have children grow up with you, that is your Social Security. I had not even thought about it before, until that day out in the jungle of Honduras talking to some of the campesinos.

This is an enormously fortunate Nation, to have had some people to make tough choices but to develop approaches that have been very, very good for this country, one of which is Social Security.

I know we had people who, when it was constructed, said, Gee, this is socialism. What on Earth are we doing?

It is not socialism. Not at all. It has been the most successful program, I think one of the most successful programs, in this country's history. It has been there for every generation and will be there for every generation.

Now, some will say, well, why are you doing this? Why do you raise the question of Social Security, Senator REID? The answer is that just today in The Washington Post and the New York Times, once again there are two more references by public officials who say we are simply going to have to adjust Social Security to deal with the budget deficit.

I say to people, if you adjust Social Security, do it to make the Social Security system solvent if it is necessary, but do not ever do it to deal with the operating budget deficit that this country is running because we cannot reconcile our revenue with things we are spending it on other than Social Security. That really, it seems to me, would be breaking a promise.

So just today, again, with two references, one in the New York Times and one in the Washington Post, again on this subject, it underscores, I think, the need that Senator REID says is foremost here to pass an amendment that simply says when we amend the Constitution that we will continue the promise. The promise is the Social Security system is a trust fund paid for with dedicated taxes, not running at a loss and not contributing one cent to the Federal deficit, and we promise we will not balance the budget by raiding the Social Security trust funds.

I said before I do not ask for three reasons one would not vote for this, just one good reason, one reason someone would decide not to vote for this amendment. The only conceivable reason I can divine is that some way, somehow, someday down the road, someone wants to use this money in order to make it easier to balance the budget. But of course in my judgment that would be breaking a promise.

So, having said all of that, let me again congratulate the Senator from Nevada, Senator REID, and the Senator from Utah. Again, this is a debate we should be having. It is when we should have it. There are a few left who say this does not matter. This matters more than almost anything else because we are spending tomorrow's money today.

I have a 5-year-old young daughter who is going to grow up and inherit a $10 or $12 or $14 trillion debt. Somehow I am going to try to prevent that from happening with every ounce of my energy because it is unfair, unfair to have her do that. So that is what these debates are about.

I appreciate very much the leadership of the Senator from Nevada and I look forward to the vote Monday.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, prior to the Senator from North Dakota leaving the floor, I want to say to him, and to the senior Senator from Utah, and to the American people, I think what has gone on during the last week or so—I should say more than that—what has gone on since we have started this congressional session has been very constructive. We have had some very difficult debates on coverage, unfunded mandates, and now this balanced budget amendment. But I think these debates have been very good. We have debated issues. We have not gotten involved in personalities. We have, on this issue and a number of other issues, a real difference of opinion and we will debate this—as to whether or not there should be an exemption for Social Security—the rest of this day, Monday, and perhaps Tuesday. But this is drawing to a close.

I say to my friend, the manager of the bill, I think this has been, for lack of a better description, a high-class debate. We are, really, talking about issues that are important to the American public. I hope the debate that will transpire the next few hours on this particular amendment will remain constructive and in so doing I think it brings honor to this institution and to the American public.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I rise in support of the balanced budget amendment.

I have always supported a balanced budget. Montanans want a balanced budget. We must listen to the people and give them a balanced budget. The Federal Government must learn to live within its means—just like the middle-class families we all represent. And I now believe a constitutional amendment is the best way to make that happen.

I questioned this amendment in the past simply because I have a reverence for the Constitution. I do not like the thought of amending it to address any subjects beyond the fundamental questions of our rights and responsibilities as citizens.

There are serious, thoughtful arguments against this amendment, arguments on constitutional principle, and arguments based on its practical effects. But I have seen us evade our responsibility too many times.

Rising interest payments and rising spending are denying our children their shot at the American Dream. They are eating away every essential function of the Federal Government. And when presented last year with a chance to solve part of the problem by containing Government health spending, Congress would not do it.

It is time to send the balanced budget amendment on to the States. It is time to let our Governors, State legislatures, and citizens debate the issue and vote on it. It is time to move beyond the amendment, cut waste in Washington and work with the States to set priorities and control spending. If we work together as a country we can do the job. And if we set our priorities carefully we will find the consequences are not so dire as the opponents of this amendment predict.

Let us begin with a look at the problem we face.

Every year, for the past 14 years, we borrowed $150 or $200 billion. In that time, our national debt grew to its present extravagant size of $4.6 trillion. And not only is debt growing, it is growing faster than our economy.

It rises about 5 percent a year, faster than we can expect GDP to grow in the foreseeable future. That means every year, we give up more of our income to pay interest on the debt.

Each year, more tax dollars go not to useful purposes like defense, fighting crime and drugs, education or promoting public health but to commercial and foreign banks. Our fiscal situation is bad already, and our children will take the worst of it.

Last year, for the first time, Federal net interest payments topped $200 billion. Next year it will be $260 billion, $1,000 for every American man, woman, and child. And without emergency action on the deficit, interest payments will be higher every year from here to eternity.

The question, however, is not whether consistent over-borrowing is wrong. Obviously, there are times—in wars, in depressions—when borrowing is not wrong. But to do it year after year, without any emergency, is scandalous.

Last year the economy grew faster than it has in a decade. Any economist would say that years like 1994 are years in which we should run a surplus and retire some of the debt. Instead we borrowed more.

So we now face two questions.

First is the practical question of how to make enough cuts and raise enough revenue to balance the budget. And the second—the more profound question—is how to establish an ethic that says constant, irresponsible overborrowing is simply wrong.

On the practical side, we have made a start with the normal budget process. In 1993 we made a massive cut in the deficit—$486 billion over 5 years.

That has succeeded. You can see the effects already. In the last year of the Bush administration, the deficit was $222 billion. In fiscal year 1994 it was $203 billion. And this year it will be down to $176 billion. As a percentage of GDP, it has not been this low since 1979.

That is a start, but we must do more. And since the 1993 budget passed, I have kept at it. Last year I looked into overspending on Federal courthouses. And I cut $120 million out of the courthouse construction budgets. Further investigation found judges spending taxpayers' money on private kitchens and rosewood paneled offices.

I worked with Senator DeConcini, then the Intelligence Committee chairman, to cut $50 million from the CIA's National Reconnaissance Office, when we caught them wasting money on a building with a fountain and a sauna.

That is all to the good. But there is more waste to cut.

The Army Corps of Engineers insists on building more and more levees at great expenses to the taxpayer—an expensive, backward policy, which turns damaging floods into disasters like the Missouri flood of 1993.

We cut out the supercollider but we still fund giant boondoggles like the $70 billion space station.

We still pay $12 million a year for an absurdity like TV Marti—the weather balloon unsuccessfully beaming dubbed reruns of ''Laverne and Shirley'' to Cuba between 3 and 6 in the morning. I have tried to cut both and I will try again.

And on a broader scale, many in Congress like talking about spending cuts in the abstract more then cutting spending in the concrete. Back in 1984, I joined Senators KASSEBAUM, GRASSLEY, and BIDEN in sponsoring an amendment to freeze all Federal spending across the board for a year. It was simple—some said simplistic—but effective. We got just 33 votes.

Last year, I was one of just 31 Senators to support Senator BOB KERRY'S amendment to cut over $94 billion in Federal spending. Its cuts in Public Law 480 Food Aid and the honey program meant pain at home in Montana. Means testing for Medicare part B would have made wealthy senior citizens pay a bit more.

But it was fair. It spread the pain equally around the country, and we cannot afford to reject deep, fair cuts like that one again.

I have seen this happen one time too often. And I do not believe it will stop unless we make a clean break with the past and establish a new ethic of responsibility. And I conclude that the only way to establish such an ethic is through a step as dramatic as a balanced budget amendment.

So, while I respect and at many points agree with the arguments made by the amendment's opponents, I will support this amendment to our Constitution. But I will also try to improve it, because in three critical areas it falls short.

RIGHT TO KNOW

First, the amendment is only a statement that the budget must be balanced. It contains no plan of how to do it.

That is also a question of values. In Montana, you look people in the eye and tell them the truth. You do not promise to fill them in later. Our state government is the country's most open and accessible. Our State constitution guarantees the people access to virtually every official document or meeting.

It should be the same in Washington. A ''right to know'' provision, requiring us to spell out a program that balances the budget within seven years, is an essential part of a balanced budget amendment. And without a detailed, specific plan to cut spending, reduce interest rates and raise revenue, experience tells us that this amendment will fail to do the job.

Why do I say that? Because I remember the Gramm-Rudman-Hollings Act I voted for back in 1986. That act required us to meet a set of progressively lower deficit targets every year, ultimately balancing the budget by 1992.

Well, we all know what happened. Because it lacked a plan to meet the targets, Gramm-Rudman became an annual exercise in gimmicks. Payment dates delayed or moved up, savings double-counted, revenue forecasts artificially pumped up and more. It was a well-intentioned failure, and we must not repeat it.

So because of practical necessity as well as old-fashioned Montana honesty, we need full disclosure in this amendment. We have a right to know—the people have a right to know—the consequences before we act. I deeply regret an earlier attempt to add this right to know concept was defeated.

CAPITAL INVESTMENT AND CONSUMPTION NOT THE SAME

Second, when the Federal Government thinks about how to balance the budget, it can take a good lesson from Montana and from some of the other States.

Our State of Montana Constitution requires a balanced budget. But despite that provision, and without violating it in any way, Montana has a State debt of over $400 million.

How did it happen? Simple. Montana balances its operating budget. But Montana can borrow money to support its capital budget, that is the money it uses to build and improve public highways, buildings and water systems. That is straightforward, sensible policy. It is not a shell game. And, of course, it is also how businesses and families manage their budgets.

Middle-class families watch their money. They stay on a budget and do not spend more than they earn on luxuries like restaurants and CD players. But when they make major, essential purchases, like cars and homes, they carefully, within their means, borrow. Virtually nobody pays cash for a house.

Likewise, most successful businesses strictly avoid borrowing to pay for operating expenses. But they do borrow at times to expand their working space. A farmer on the Hi-Line borrows to buy a new tractor. A small envirotechnical company in Butte borrows to buy a computer system. Businesses borrow to buy essential capital goods that raise their productivity and mean more profits in the long run, and they are right to do so.

The right policy for Montana, small business and families is also right for the country. On critically important capital projects, borrowing is sometimes right.

CAPITAL BUDGETING AND HIGHWAYS

For example, Dwight Eisenhower asked our generation to accept a significant debt burden to fund the Interstate Highway System. In 1956, when he signed the bill creating the Interstate, we had a balanced budget. But beginning in 1958 and throughout the 1960's, we ran deficits.

And since 1956, we have spent $130 billion on the Interstate. If we had spent nothing, the debt would be lower by $130 billion plus interest. But Ike made the right decision.

Through I–15, I–90, and I–94, the Interstate System makes Montana a viable part of the modern economy. Across the country, it eased the flow of commerce, created millions of jobs, and brought us untold additional wealth. Compared to these benefits, some additional debt is unimportant.

We are now beginning its successor, the National Highway System. The NHS will do for our children what the Interstate did for us. It will mean jobs, growth, and higher productivity, and if we need to accept some debt to build it, that is appropriate.

Passing this amendment, without ensuring that we can keep a separate capital budget, risks destroying the National Highway System. Towns like Lewistown, Glasgow, and Kalispell will remain isolated. Our farmers will be at a competitive disadvantage. Our businesses will see transportation costs higher than they should be, and that would be sad and foolish.

A separate capital budget will make sure that wise capital investments like the National Highway System are protected. Thus, I intend to support an amendment to give us a capital budget as well as an operating budget, and allow us to make the wise choice Dwight Eisenhower made 40 years ago.

EXEMPT SOCIAL SECURITY

Finally, we come to an item of great sensitivity. That is, how will a balanced budget amendment affect Social Security?

Social Security is not really a government program at all. It is essentially a pension fund. People who work contribute to it throughout their career. The Federal Government manages the money and returns it to them with interest on retirement.

So it is not Federal money. It belongs to the people who pay into the system. It is wrong to count payments from the Social Security trust fund as spending, or to count Social Security contributions as revenue. To do either is really a breach of contract.

Robert Olandt, from Rollins in the Flathead, expresses it perfectly in a letter he wrote me 2 weeks ago:

> Sir, you and I and countless others are or have been paying Social Security premiums with the expectation that this program will, in fact, not be diminished . . . that quality of life may be preserved as we enter later maturity. Just getting old is bad enough. There has to be some dignity as well.

When this amendment passes, we can pass budget resolutions which do not cut Social Security. I will work very hard to make sure we do that. But the temptation to include Social Security will be great. And the better course is to say now, in this amendment, that Social Security is off the table.

MONTANANS MUST FACE THIS TOGETHER

Mr. President, we must balance the budget. We must learn to live within our means.

On no issue are Montanans more united. When I walk the highways of our State people stop and tell me we have to balance the budget. I listen to them at workdays, when I spend a day at Ribi Immunochem in Hamilton, on Geoff Foote's ranch on the Blackfoot or the Big Spring Water Plant in Lewistown. And I feel the same as any other Montanan.

But feeling is not doing. And doing will hurt. According to the National Association of State Budget Officers, about 28 percent of Montana's State budget comes from the Federal Government. On top of that the Federal Government spends about $330 million to support Montana crop and livestock producers, $30 million at Glacier and Yellowstone National Parks, and $100 million at Malmstrom Air Force Base.

To balance the budget by 2002—without new Federal taxes, without a separate capital budget, and with each State taking a proportionately equal cut—the Treasury Department predicts that the Federal Government will need to cut spending by $277 million in Montana.

That includes $52 million in highway funding—and when we give up $52 million in highway funding, we lose 2,000 high-paying construction jobs and hundreds of miles of road repair. We give up $123 million in Medicaid. And we lose over $100 million in education funding, welfare payments, environmental protection, housing, help for veterans, and more.

So debate in the Senate is only the beginning. Difficult and painful decisions lie ahead for our State. We must set our priorities. We must decide which programs we are willing to pay for and which we are willing to live without. And all Montanans and Americans ought to shape these priorities together—so that we share the stress fairly, and so that we cut as much waste and as few essential services as possible.

But we must make these decisions. We can no longer postpone them. Because at bottom, they are questions that relate more closely to values than to accounting.

I found the essay Prof. James Wilson published in the Wall Street Journal a few weeks ago very perceptive. He said that in years past:

> something akin to a Victorian ethos and restrained our spending. Now that ethos is gone.

That goes for everyone. The Federal Government has evaded the problems at the root of the deficit for a decade. State governments blame Washington for unfunded mandates without admitting how much Washington pumps into their budgets every year. Citizens write letters demanding tax cuts, money for local projects, and a balanced budget.

That is a failure of values. At every level, it is a failure to admit the truth and take responsibility. It shows how far we have come from the ethos Wilson describes.

Whether or not it passes, we must get back to the values we have lost. Like living within our means. Like thinking more about our children than ourselves. So in the coming months I hope to hear from our State's legislators and elected officials, and most of all from ordinary, middle-class Montanans as to how we start. And I will seek their views on where they see waste in Montana, where Federal spending can be eliminated and where Federal support is essential.

This is a heated, spirited, principled debate. But underneath it is a consensus. We need to live within our means. We need to set priorities. And we need to work together to do it.

That is true of the political parties. It is true of the State and Federal levels of government. Most of all, it is true of us all, as ordinary American citizens. And there is no time better than now to begin.

(Mr. KYL assumed the Chair.)

Mr. HATCH. Mr. President, as far as I know, that may be the last set of remarks. There may be one other Senator coming over to speak. We would like to shut the Senate down because I think everybody has really had a good chance. I first pay tribute to my colleague from Montana and tell him how much we appreciate his willingness to support this balanced budget amendment. I know it has been a very difficult decision for all of us because there are arguments on both sides of this issue.

I also have a great deal of affection not only for him but for my colleague from Nevada, who, it seems to me, has conducted this debate on his amendment with about as much dignity and class as anybody I have ever seen in the history of the Senate. I personally appreciate it. So I thank the Senator from Montana and the Senator from Nevada, as well. Both of you are dear friends. Let us keep fighting, because I personally believe we can pass this joint resolution. I think we have to. Even though nothing is perfect, it is a Democratic and Republican, bipartisan opportunity for us to try and do something.

Mr. President, some of my colleagues have argued that the balanced budget amendment is a figleaf. To the contrary, it is the first step toward our country's fiscal atonement. That is a pretty high-flung term to talk about ''atonement,'' but $5 trillion in debt, going to $6.3 trillion within 3 years, spending our children's and grandchildren's future away, I think this is fiscal atonement. That is what we should do.

We have been unwilling to deal with our exploding debt. The few times we have tried, the short-term benefits of partisan politics consumed our institutional duty to attend to our Nation's long-term interests.

If we have learned anything from recent history, we have learned that we lack the fiscal backbone to make the tough decisions, or restrain ourselves from engaging in shortsighted political assaults when some in Congress demonstrate the willingness to do so. I suggest, perhaps that both sides of the aisle are responsible. When Republicans tried to curb the growth in entitlements by changing Social Security back in 1985, Democrats seized on that opportunity and took back the Senate. When Democrats tried to address the deficit by raising taxes last Congress, Republicans jumped into action and, of course, we took back the Senate.

If we have learned anything from the past decade, it is that we should not raise taxes or play with Social Security. But we have also learned that without the balanced budget amendment to give us the fiscal backbone we need, neither party is willing to restrain itself from partisan politics when it comes to budget cutting. Instead of viewing the balanced budget amendment as a reward for congressional cowardice, my hope is that we will begin to see it as a first step toward our own fiscal penance, and I call it fiscal atonement.

The truth is we must act. If we fail to act here, can any of us honestly admit that, without the balanced budget amendment to give us backbone, we will continue business as usual and we believe the Congress will develop the institutional courage to act responsibly any time in the next several years if we pass this amendment?

Teddy Roosevelt said:

> The danger of American democracy lies not in the concentration of administrative power in responsible hands, it lies in having the power insufficiently concentrated so that no one can be held responsible.

Without the balanced budget amendment, we will be content to hold the other party, or the President, or the past Congresses, responsible in lieu of ourselves.

Why act now? Why should we act? Because such an act is important. So much is riding on our vote. If we do not act, just think of the fate we are leaving for our future generations. As Senator DASCHLE said last Congress when he voted in favor of the balanced budget amendment, ''We are leaving a legacy of debt for our children and grandchildren. A lot of people have paraphrased that during this debate.

Every child born in America today comes into this world over $18,500 in debt. And that debt is growing. We are concerned about our children and our grandchildren.

In President Clinton's fiscal year 1959 budget, it was estimated that for children born in 1993—these kids right here —the lifetime net tax rate will be 82 percent. The net tax rate is the estimate of taxes paid to the Government less transfers received, if the Government's total spending is not reduced from its projected path and if we do not pay more than projected. The 82 percent figure for our children stands in stark contrast to the 29 percent net tax rate for the generations of Americans born in the 1920's, and the 34.4-percent net tax rate for the generation born in the 1960's.

Now, that is right from the Clinton administration's 1995 budget, generational forecasting.

Each year that we endure another $200 billion deficit will cost the average child—these children right here and all of our children throughout this country and our grandchildren—over $5,000—$5,000—in taxes over his or her working lifetime. And we have, under this budget, 12 straight years of $200 billion deficits. So just add it up—5,000 bucks per child each year that we endure another $200 billion deficit. It is going to cost the average child over $5,000 in taxes over his or her working lifetime just to pay—now get this—just to pay the interest costs on the debt. President Clinton's conservative deficit estimate alone for the next 5 years will mean a total of $25,000 in taxes for these children, just to pay interest on the debt.

A lot is riding on our vote. When this child is 11 years of age in fiscal year 2005, the CBO's conservative projection shows that the deficit will top $400 billion—more than twice today's level. In that year alone, this child right here will be charged and all of our children will be socked with a $10,000 tax bill, just to pay the interest on the deficit. The debt will reach nearly $6.8 trillion, or 58 percent of our GDP.

That is from the ''CBO Economic and Budget Outlook, Fiscal Years 1996–2000.''

CBO notes that the growing deficits stem from entitlement spending, particularly by major health care programs. Entitlements will grow from roughly one-half to two-thirds of all Federal spending. Spending for both Medicare and Medicaid is still projected to rise by 10 percent per year through the year 2005. These two programs alone will overtake Social Security in the year 2000 and catch up to total discretionary spending by the year 2005. That is just Medicaid and Medicare alone. In the year 2005, the first baby boomers from our generation will be several years away from eligibility for Social Security. The child in this picture will be over 55 years away from eligibility.

Our debt is ballooning. It took our Nation 205 years—from 1776 to 1981—to reach the first $1 trillion national debt. It took only 11 years to quadruple that figure. Today, the national debt stands at over $4.8 trillion and it is only going to take another 3 years to get it up to $6.3 trillion. Today, the national debt stands at almost $5 trillion. Citizens of other nations, like Argentina, Canada, and Italy have faced stagnant or lower living standards when their Governments ran up huge debts. Future generations face higher interest rates, less affordable housing, fewer jobs, lower wages, and a loss of economic sovereignty.

Let me just say this. We have been talking about Social Security. I want to take care of our senior citizens and I intend to do so, and I think everybody else around here does, too, in spite of this debate.

But I have to tell you something that people have to stop and think about. If we keep running this debt up into the air as we have been doing, if we keep accumulating the deficits that we have and paying so much interest against the national debt, I have to tell you we are robbing our children and our grandchildren and our future generations. And it is not right.

When Social Security came into being, there were 46 workers for every person on Social Security. Today, it is a little bit better than three for every person getting Social Security, and by the year 2020 it is going to be two. It is going to be these kids who are going to share the burden. And we have been robbing our kids. Now, it is time for us to talk about the kids and about our grandchildren, at the same time we are trying to take care of our seniors. But we cannot forget them. And if we do, we deserve the condemnation that should come our way.

Let me tell you something. Sooner or later, if we want Social Security to be strong, we have to have a strong economy. If we want a strong economy, we have to get spending under control. We have not been able to do that for 26 years and certainly not for over the last 14 years.

And I have to tell you, it is getting worse and worse. If we want to get our economy under control, we have to pass this balanced budget constitutional amendment. It is one way we can. It is our only hope right now. It is not a Republican amendment. It is not a Democrat amendment. It is both of us. We have worked together. Seventy-two or seventy-three courageous Democrats voted for this in the House, and we will have a number of them here. All we need are 15.

So I hope the folks out there will get with their Democrat Senators and let them know they expect them to vote for this balanced budget amendment, regardless of what happens. And if we pass this, we will be on the way to some fiscal restraint and some fiscal sanity that may save the lives and the futures of these children that are born today.

Mr. GRAIG. Mr. President, I rise to oppose the Reid amendment. Now that the Dole motion has passed, the Senate has expressed its will to protect Social Security.

The best protection we could provide for the Social Security system, and for the welfare of our senior citizens, in general, is to pass the balanced budget amendment and send it to the States for ratification as soon as possible.

Any amendment, such as the Reid amendment, that claims to do both, require a balanced budget and protect Social Security with an exemption, will do neither.

From every proposal like this that we have seen so far, it seems obvious that there is no practical way to do both those things in one constitutional amendment.

On the other hand, the Dole motion, with the amendments proposed by the majority leader, is the real vote on protecting Social Security.

THE REAL VOTE WAS ON THE DOLE MOTION

The Dole motion, combined with the Kempthorne amendment to S. 1 recently, fully commits this Senate to protect the integrity of the Social Security system and the benefits of seniors who are counting on that system.

The Dole motion deals with how we get to a balanced budget by fiscal year 2002. Even if the Reid amendment worked as its author has indicated, it would not be effective until fiscal year 2002 at the earliest.

To get to a balanced budget by 2002, Congress will need to restrain the growth in spending to 3 percent a year. With Social Security off the table, we will have to hold non-Social Security spending to 2.25 percent growth a year.

That is a reasonable glide path, just slowing the growth in spending between now and 2002. After the budget is balanced in fiscal year 2002, spending can resume growing at the same rate as revenues at that time, now projected at more than 5.2 percent a year.

So, obviously, budget discipline will have to be tighter before fiscal year 2002 than after 2002. The Dole motion sets Social Security aside as a priority immediately, while we are on that deficit-reduction glide path, and after 2002, as well.

The Dole motion protects Social Security when it needs protection. A yes vote on the Dole motion is the real vote to protect Social Security, now and later.

THE REID AMENDMENT WILL NOT WORK

The Reid amendment does not even purport to protect Social Security until 7 or 8 fiscal years from now. In reality, careful examination shows that the Reid amendment will never protect Social Security.

These five facts best summarize what is at stake as we debate the Reid amendment:

First, the debt is the threat to Social Security, our seniors, and the economy.

Second, nothing in the language of the Reid amendment provides any protection for Social Security or seniors.

Third, the Reid amendment would create perverse incentives to raid the Social Security trust funds on both the spending and revenue sides.

Fourth, nothing in the underlying House Joint Resolution 1 would overturn present statutes protecting Social Security or prevent future efforts to strengthen its priority status.

Fifth, a Constitution should include timeless principles, not temporary priorities.

Mr. President, let's be realistic: Social Security has 100 friends in this Senate.

I do not doubt that the supporters of the Reid amendment earnestly seek to protect Social Security. I do think some of them want to vote against the balanced budget amendment, and I hope they will not hide behind Social Security as an excuse.

I share the goal of protecting Social Security benefits from being cut, or Social Security taxes from being raised, to balance the budget and pay for other spending.

But the Reid amendment would take us in the opposite direction from that goal. At the same time, it would undermine the basic purpose of the balanced budget amendment itself.

Let us examine these five principal issues one at a time.

First, the debt is the threat to Social Security, our seniors, and the economy.

Some of our colleagues have taken to the floor to remind us that Social Security has not been contributing to the deficit and to the buildup of the national debt.

I agree. It is exactly the other way around—the debt is the threat to Social Security.

Gross interest on the debt is already approaching one-fifth of total Federal spending. It is the second largest item of Federal spending now and, by the end of the decade it will pass up Social Security as the largest item.

As the debt grows, as the cost of servicing the debt grows, it threatens to crowd out all other budget priorities—including Social Security.

The more debt the Government runs up, the more we have to pay out in interest, the less we will have to pay for anything we want.

We know what happens when any debtor racks up too much debt and heads into bankruptcy—every lender who is owed something by that debtor now stands to lose out.

Current Social Security surpluses represent an obligation, a commitment, to pay those dollars back out in benefits tomorrow. But if the debt keeps growing, in the not-too-distant future, there will be so much debt that the Government will not be able to honor all its obligations.

In the year 2013, the Social Security trustees project that OASDI outlays will exceed FICA tax revenues. The trust funds will start to run an operating deficit. In 2019 total OASDI outlays will exceed total income and Social Security will begin to run annual deficits. In 2029, the trustees estimate, the trust funds will be exhausted.

According to the Kerry-Danforth Entitlement Commission, under current trends, at about that same time, by the year 2030, total Federal spending will top 37 percent of GDP, net interest will exceed 10 percent of GDP, and the deficit will be about 19 percent of GDP.

Contrast that with today: For fiscal year 1995, Federal spending is expected to be 21.8 percent of GDP, net interest 3.3 percent of GDP, and the deficit 2.5 percent of GDP.

How much more pressure will those future deficits, that interest burden, place on future Social Security beneficiaries? An intolerable amount.

Those future trends will be unsustainable for the economy and devastating to seniors depending on Social Security.

The best way to protect Social Security is to protect our future ability to meet all our obligations. And the best way to do that is to pass the balanced budget amendment and send it to the States for ratification.

Second, nothing in the language of the Reid amendment provides any protection for Social Security or seniors.

Let us look at the plain meaning of the language in the Reid amendment.

All the Reid amendment does is provide a simple exemption. It simply exempts receipts and outlays for the Old Age, Survivors, and Disability Insurance [OASDI] from the calculations of total Federal receipts and outlays—from the calculation of balanced budgets.

Nothing in the Reid amendment says, Congress shall not cut Social Security benefits.

Nothing in the Reid amendment says, Congress shall not raise Social Security taxes on working class people.

Nothing in the Reid amendment says, you cannot change the actuarial balances in the Social Security trust funds.

Nothing in the Reid amendment requires Congress to do any of the things to protect Social Security that the supporters of the Reid amendment say they want to do to protect Social Security.

At the very best, the Reid exemption is a fig leaf that does not add one layer of protection for Social Security.

At the very worst, this exemption could be disastrous for Social Security and our seniors, as I will explain next.

Third, the Reid amendment would create perverse incentives to raid the Social Security trust funds on both the spending and revenue sides.

The Reid language is a simple exemption. And it is all loophole.

It exempts anything you put into, and anything you take out of, the OASDI trust funds from the discipline of the balanced budget.

In other words, it allows unlimited deficits, as long as the accountants say you are deficit spending only out of the OASDI trust funds.

Supporters of the Reid exemption acknowledge this. They say they have taken care of that possibility by limiting OASDI outlays to ''provide old age, survivors, and disabilities benefits.''

But most of the problem remains.

In its own terms, the Reid exemption says that OASDI trust funds can be used to pay for any ''old age, survivors, and disabilities benefits,'' in addition to what we currently call ''social security'' benefits.

Let us add up what is possible to include in this loophole, if the Reid amendment to the balanced budget amendment were in the Constitution today, for fiscal year 1995.

Under current statutory definitions, $334 billion will be spent for Social Security in fiscal year 1995.

In addition to what we currently consider Social Security, here are some of the programs that obviously would qualify to be paid for out of Social Security trust funds under the Reid amendment, that are paid for from other sources today:

	Billions
Medicare	$176
Supplemental security income	24
Federal civilian retirement and disability	42
Military retirement and disability	28
Veterans' benefits and services	38
Other retirement and disability	5
Subtotal	313

Those, obviously, are programs that provide old age, survivors, and disability benefits, and adding these spending programs to the OASDI trust funds would almost double what we currently spend on Social Security.

Then, a reasonable question arises, what else might be considered disability or survivors benefits? When Aid to Families with Dependent Children [AFDC] was first created, it was portrayed primarily as providing for widows and surviving children. And most social programs aimed at disadvantaged populations could be said to prevent or mitigate a disability.

So, Congress could also go into the Social Security trust funds to pay for programs like these:

	Billions
Medicaid	$90
Housing assistance	27
Food stamps	26
Family support	18
Public Health Service	13
Child nutrition	8
Education for the disadvantaged	7
Head Start	4
Dislocated workers and Job Corps	2
Other social services	6
Subtotal	201
Total, newly exempt spending	514
Grand total, potentially exempt spending	848

In other words, the Reid exemption would open at least a half-trillion-dollar loophole for deficit spending for programs that are not currently funded out of the Social Security trust funds.

Other programs may qualify, as well. The list I have given is what seemed obvious after only a cursory examination of the President's new budget and CBO's January Economic and Budget Outlook.

Senator THOMPSON, during the Judiciary Committee markup of Senate Joint Resolution 1, envisioned that christening a new aircraft carrier the ''U.S.S. Social Security'' would allow it to sail through this kind of loophole.

Add that $533 billion in loophole deficit spending to the $334 billion in Social Security spending that the exemption supporters say they want to protect, and you can move half the budget offbudget—$867 billion in fiscal year 1995.

But it gets worse.

The Reid amendment merely says that OASDI receipts are exempt from the balanced budget amendment—it does not guarantee that today's FICA taxes will continue to be deposited in the OASDI trust funds tomorrow.

Under the Reid amendment, Congress could simply deposit FICA tax revenues into the General Treasury, to help balance the budget, instead of putting them into the OASDI trust funds. This year, that will amount to $357 billion.

Far from protecting Social Security, the Reid amendment creates a perverse incentive to raid Social Security revenues, to use them for other purposes, and to shift every spending program possible offbudget, and into deficit spending, by paying for them out of the Social Security trust funds.

At best, if Congress did not exploit the loopholes, the perverse incentives, offered by the Reid amendment, that exemption would provide absolutely no additional protection for Social Security.

But we would not be here debating the Balanced Budget Amendment in the first place if deficit spending were not so tempting as to become a permanent, systemic problem. Therefore:

The Reid amendment would be worse for Social Security, and worse for the national debt, than the status quo.

A balanced budget amendment with the Reid amendment would be more likely than the ''clean'' balanced budget amendment, without the Reid amendment, to result in raiding the Social Security trust funds for other purposes.

To repeat the conclusion I stated before: Any amendment, such as the Reid amendment, that claims to do both, require a balanced budget and protect Social Security with an exemption, will do neither.

This is exactly the problem created when you try to reference a statutory creation in the Constitution.

The revenues that go into, and spending that comes out of, the Social Security trust funds, have been set by statute. New spending can be added or subtracted by statute. Revenues can be redirected by statute.

If you create a loophole in the Constitution that can be exploited by statute, it will be. That is why you do not find problems like Social Security referenced anywhere else in the Constitution.

Fourth, nothing in the underlying House Joint Resolution 1 would overturn present statutes protecting Social Security or prevent future efforts to improve its priority status.

The balanced budget amendment is all about setting priorities.

No supporter of any one program really has anything to worry about unless they fear that most of the American people and most of the Congress will consider their program a low priority.

Realistically, we know that is not going to be the case with Social Security.

Bob Myers, former Deputy Commissioner of the Social Security Administration, said it well at our press conference earlier last week:

> It's my opinion, very strongly held opinion, that if it (the balanced budget amendment) were to go into effect and into operation, Social Security benefits would be cut. . . . Congress would see that this would not be logical, or would not be fair.

Social Security has numerous protections under current law that would not, in any way, be overridden or changed by the balanced budget amendment.

These current protections include the following:

The Social Security Amendments of 1983 removed the OASDI trust funds from the totals of the official budget as of fiscal year 1993 and made them ''exempt from any general budget limitation imposed by statute on expenditures * * *.''

Gramm-Rudman-Hollings in 1985 accelerated Social Security's off budget status to fiscal year 1986 and exempted it from the automatic spending-cut sequester.

Gramm-Rudman-Hollings made it out of order—subject to a 60-vote waiver in the Senate—to include Social Security changes in a deficit-reduction reconciliation bill or conference report.

The 1990 Budget Enforcement Act removed Social Security from any parts of the budget process designed to reduce and control budget deficits.

The 1990 act excluded Social Security from all spending caps and any pay-as-you-go limitations.

The 1990 act also created a point of order against making changes in the actuarial balance in the trust funds—subject to a 60-vote waiver in the Senate.

Under House Joint Resolution 1, these statutory protections would continue to set aside Social Security aside as a special case, as a priority, within a balanced budget. They would keep Social Security off the table when it comes to budget discipline and deficit reduction. Nothing would prevent Congress from acting to wall off Social Security further.

Fifth, a constitution should include timeless principles, not temporary priorities.

A constitution is a document that enumerates and limits the powers of the Government to protect the basic rights of the people.

Within that framework, it sets forth just enough procedures to safeguard its essential operations. It deals with the most fundamental responsibilities of the government and the broadest principles of governance.

Our balanced budget amendment fits squarely within that constitutional tradition. It is dedicated to the same kind of fundamental, timeless principles enshrined elsewhere in the Constitution.

The guiding principle of the balanced budget amendment could be summed up as follows: The ability of the Federal Government to borrow money from future generations involves decisions of such magnitude that they should not be left to the judgments of transient majorities.

That principle will never change. If the Framers of the original Constitution had realized how insufficiently they had provided for that principle, the balanced budget amendment would have been included in 1787 or 1789.

Social Security, however important, is a statutory program. It involves obligations that we all agree we must honor. But we already know that it will go through changes in the future, as the population goes through changes.

For the sake of future retirees, we know that Congress may have to address these trends at some time in the future, as the trends themselves become clearer. We also know that Congress will only make changes that our senior citizens and the rest of the American people support.

But we cannot predict what the American people will want in this program 30, 40, and 50 years from now. We do know that we do not want them to have to amend the Constitution to perfect the operation of that statutory program.

Mr. President, I also ask unanimous consent that I may enter additional materials into the Record at this point, including: A letter from the 60/Plus Association, endorsing the balanced budget amendment and opposing the Social Security exemption; materials from the Seniors Coalition; and additional fact sheets and information.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

TAX FAIRNESS FOR SENIORS,
Arlington, VA, February 9, 1995.

Hon. LARRY E. CRAIG,
U.S. Senate, Washington, DC.

DEAR SENATOR CRAIG: I am writing to you to express the strong support of the 60/Plus Association for the Balanced Budget Amendment to the Constitution, which is now being considered by the U.S. Senate.

The 60/Plus Association is a two-year-old, nonpartisan, seniors advocacy group with more than 225,000 members. For the 103d Congress, we presented the Guardian of Seniors' Rights award to 226 House and Senate Members.

The Balanced Budget Amendment is the best friend the Social Security system and our nation's seniors could have. The Senate should pass H.J. Res. 1, as passed by the House of Representatives in a strong bipartisan vote, and submit it immediately to the States for ratification.

Continued, growing deficit spending is the greatest threat to the integrity of the Social Security system and to the present and future benefits paid from Social Security trust funds. Past deficits have created a national debt of $4.8 trillin—an alarming 70 percent of our Gross Domestic Product. Gross interest payments now consume nearly one-fifth of total federal spending and will surpass Social Security as the largest item of spending by the end of the decade.

This national debt already has depressed the economy and lowered seniors' standard of living. As the costs of servicing that debt continue to climb and to squeeze all other budget priorities, they threaten the very existence of Social Security. Today's Social Security surpluses represent a commitment to seniors tomorrow. But a debtor bankrupted by an excessive debt load is not able to meet any of its commitments. Bitter experience has shown that only the Balanced Budget Amendment can save our nation from that fate.

While well-intentioned, these attempts to exempt Social Security from the discipline of the Balanced Budget Amendment are completely misguided. Instead of protecting seniors, exemptions like that in the Reid Amendment would allow the Social Security trust funds to run unlimited deficits. This would create an irresistible temptation to pay for all sorts of unrelated programs out of the trust funds, completely destroying the unique purpose for which they were created and rendering them insolvent.

The debt is the threat to Social Security and America's seniors. A ''clean'' balanced budget amendment, such as H.J. Res. 1, is their best protector. The 60/Plus Association urges you and your colleagues to pass this urgently needed legislation and resist the scare tactics of those who create any loopholes that would compromise either balancing the budget or protecting Social Security.

Former Senator Paul Tsongas summed it up best when he said he was ''embarrassed as a Democrat to watch a Democratic President raise the scare tactics of Social Security.''

In other words, it's ''scare us old folks time again'' as opponents drag a 30-year-old red herring across the trail.

Many seniors—including this one—vividly remember the scare tactics then—the LBJ TV ad—a giant pair of scissors cutting through a Social Security card—with the clear implication that a vote for Barry Goldwater and Republicans would mean the end of Social Security.

Seniors didn't buy that canard then, nor do they now, 30 years later, judging by the response we get from the vast majority of seniors.

Sincerely,

JAMES L. MARTIN,
Chairman, 60+.

THE SENIORS COALITION,
Fairfax, VA, January 24, 1995.

Memorandum re balanced budget amendment.

To: Senator CRAIG.

Fr: Jake Hansen, Vice President for Government Relations.

The Seniors Coalition has supported a balanced budget amendment for several years. On behalf of our one million members nationwide, I am requesting your support of S.J. Res. 1 in the next few weeks.

It is vital that Congress pass a measure that would require the federal budget to be balanced. Our members feel that if the government were forced to evaluate its spending the way every family in America evaluates their own, this country would not be ''heading down the wrong path.'' While there are a great many factors that contribute to this public perception, the bottom line for many Americans is that the government takes too much from them and spends too much on programs that do not work. The time to end the cycle of taxing and spending has come.

I also want to touch briefly on the role of Social Security in the balanced budget amendment. We feel that there is no reason to exempt Social Security from a balanced budget. In fact, such an exemption would create a serious policy and political crisis for Congress, and would lead to the destruction of the Social Security system.

If Social Security is exempted, the total force of balancing the budget will find its way to Social Security. There will be an overwhelming temptation to either redefine government programs as Social Security programs, or pull money out of the Trust Fund to balance the budget by cutting Social Security taxes to offset tax increases elsewhere. In fact, there would be nothing to stop Congress from ''borrowing'' as much money as it wanted from the Trust Funds to finance any other government program.

We feel confident that the political climate surrounding Social Security is enough to protect it, thus engaging in destructive policy in the name of protection will only lead us down the path of truly committing damage to the Social Security system.

What is most important is that America be given a serious balanced budget amendment as soon as possible.

THE SENIORS COALITION,
Fairfax, VA, January 26, 1995.

BALANCED BUDGET AMENDMENT—ALERT

This morning the opponents of a BBA launched a full scale attack on the Balanced Budget Amendment with Social Security bombs. Seniors across the country are watching C-SPAN with renewed and unjustified fear. It is vital that their scare campaign be stopped!

EXEMPTING SOCIAL SECURITY FROM THE BALANCED BUDGET AMENDMENT WILL DESTROY THE SOCIAL SECURITY SYSTEM—NOT PROTECT IT

Balancing the budget will create tremendous pressure and that pressure will blow through any available escape hatch. WHATEVER is exempted from the balanced budget requirement becomes that escape hatch!

As the total force of balancing the budget falls on Social Security, there will be overwhelming pressure to redefine many government programs as Social Security programs. This endangers its original purpose. There would be nothing to stop Congress from ''borrowing'' as much money as it wanted from the trust fund to finance any government program if Social Security is exempted from the Balanced Budget Amendment.

Exempting Social Security from the Balanced Budget Amendment would open a loophole in the requirement that would completely gut its effectiveness by allowing all social welfare and other programs (such as Medicare and Medicaid) to be financed off-budget, in deficit, as the ''New Covenant Social Security.''

FAILURE TO PASS A BALANCED BUDGET AMENDMENT WILL DESTROY SOCIAL SECURITY

Eventually, $400 billion plus will have to be returned to the Social Security trust fund to pay benefits to retired baby-boomers. Without starting a balanced budget process NOW, the battle over Social Security will be like nothing Congress has ever seen thirty years from now.

Without balancing the budget, Social Security benefits will always be subject to cuts, new taxes and means-testing. This permanently erodes any confidence in discussions of systemic reforms for future generations.

THE SENIORS COALITION,
Fairfax, VA, January 23, 1995.

TESTIMONY OF JAKE HANSEN, DIRECTOR OF GOVERNMENT AFFAIRS, THE SENIORS COALITION, FOR THE JOINT ECONOMIC COMMITTEE, U.S. CONGRESS

BALANCED BUDGET AMENDMENT: IMPERATIVE TO SOCIAL SECURITY

Mr. Chairman, this is not a new issue to The Seniors Coalition. Since our inception we have fought for a Balanced Budget Amendment. We have had experts on Social Security and expert economist look at the issue, as well as hearing from thousands of our members. Their conclusion: give us a Balanced Budget Amendment.

During the elections and in recent debate, we have heard from many politicians that a Balanced Budget Amendment will destroy Social Security. However, the question is not ''Will a Balanced Budget Amendment destroy Social Security'', but rather ''Can Social Security survive without a Balanced Budget Amendment?''

As you know, up until 1983, the Social Security system ran on a pay-as-you-go basis. That is, the amount of money going into the Trust Funds from payroll deductions was basically equal to the amount of money being paid to beneficiaries of the day.

In the late seventies, the economy was a disaster. Inflation was up, leading to higher cost of living payments than had been anticipated. Unemployment was up, meaning that less money was being paid into the system than had been anticipated. The result: Social Security was headed for bankruptcy at break-neck speed.

In 1983, a bi-partisan effort saved Social Security by changing the benefit structure and raising Social Security payroll taxes. This effort created a new—and potentially worse—problem: a rising fund balance in the Social Security Trust Funds. For the past ten years, more money has been pouring into the Trust Funds than is needed to meet today's obligations.

This balance has been ''borrowed'' by the federal government. Today, the federal government owes the Trust Funds about $430 billion. By the year 2018, according to the Social Security Board of Trustees, that figure will be a shade over three trillion dollars. At that time, the entire federal debt will be—who knows, eight, ten, twelve trillion dollars?

The point is, how will the government ever pay back the Trust Funds? They could: Turn on the printing presses and monetize the debt, so that a Social Security check would buy a loaf of bread; borrow the money—hurting both the economy and the Federal Budget; make massive cuts in benefits; raise taxes, and thus, destroy the economy for everyone; or simply renege on the debt.

Mr. Chairman, The Seniors Coalition doesn't find any of these alternatives acceptable.

The Chairman of our advisory board, Robert J. Myers (often referred to as the father of Social Security) wrote of his support of a Balanced Budget Amendment last year and said:

''In my opinion, the most serious threat to Social Security is the federal government's fiscal irresponsibility. If we continue to run federal defects year after year, and if interest payments continue to rise at an alarming rate, we will face two dangerous possibilities. Either we will raid the trust funds to pay for our current prolificacy, or we will print money, dishonestly inflating our way out of indebtedness. Both cases would devastate the real value of the Social Security Trust Funds.''

The bottom line, is that if we want to protect the integrity of Social Security the only way is through a Balanced Budget Amendment.

With that said, the question becomes will just any old Balanced Budget Amendment do? The answer is, some are better than others, and some are absolutely not acceptable.

First, some people are suggesting that Social Security should be exempted. That should be something that an organization like ours would leap at. The fact is, we are concerned that such an Amendment would end up destroying Social Security as more and more government programs would be moved to Social Security to circumvent the Balanced Budget Amendment. We believe this would destroy Social Security, and will not support such an Amendment.

Our first choice would be a Balanced Budget Amendment that controls taxes as well as spending—such as the Amendment that has been presented by Congressman Barton. We support tax limitation and would like to see this Amendment voted on. We would urge every Member of Congress to vote for this Amendment.

If, this Amendment does not pass, then we willingly support a Balanced Budget Amendment such as the one offered by Senators Hatch and Craig. While I am concerned about taxes, I believe that last year's elections showed us that we, the people, do have the ultimate power. And, I believe that had we been forced to pay for all the government we were being given, we would have made massive changes much sooner.

Mr. Chairman, we believe that what is most important is that America be given a serious Balanced Budget Amendment as soon as possible. We will work with you and your colleagues in every way possible to make that happen. Thank you.

CONGRESSIONAL LEADERS UNITED FOR A BALANCED BUDGET [CLUBB] FACT SHEET, JANUARY 18, 1995

A Balanced Budget Amendment Exemption Would Increase The Threat To Social Security.

A BBA exemption would threaten the revenues for the Social Security Trust Fund. Placing the OASDI/Social Security trust funds outside the Amendment's deficit restrictions would provide a perverse incentive for a future Congress to shift FICA (and related income) taxes out of the trust funds. Portions of those taxes could be transferred to general Treasury accounts to balance the ''operating'' budget covered by the BBA, but at the cost of gutting the OASDI trust funds. The current stable revenue stream for Social Security could be critically diverted in small steps which would add up to disaster for the system. A precedent for this already exists: The income taxes on Social Security benefits in the 1983 ''bailout'' go directly into the trust funds, but higher income taxes imposed on Social Security retirees in 1993 are diverted to general Treasury revenues.

Social Security could easily be overwhelmed by non-Social Security programs moved to Social Security's ledger in an attempt to hide them behind the cloak of its exempt status. It's easy to predict well-meaning efforts to protect a whole range of social programs by arguing they fall under the general intent of Social Security to provide a safety net. Contrary to the claims of those who want an exemption, funding for current Social Security would not be set aside for protection, but would be pilfered by reclassifying more and more programs as Social Security. This is an even greater threat than simply providing a loophole for deficit spending. As other programs intrude on Social Security, its stability will steadily erode.

A Social Security exemption defeats the intent of the BBA by providing the greatest deficit loophole in history. As if the direct threat to Social Security isn't enough, exempting it would create an enclave for additional federal debt while at the same time, government could proudly proclaim a ''balanced budget.'' Projects which risk being assigned a low priority under the BBA could avoid facing scrutiny and be paid for by draining the Trust Funds. The Social Security deficit tomorrow could be bigger than the total deficit today.

The debt is the threat! The greatest threat to Social Security is the federal debt itself. Gross interest payments on the debt already are nipping at the heels of Social Security as the second largest single item in the federal budget. Social Security is in no way immune to the increasing pressure interest payments placed on every single federal spending item as the growing debt forces ever larger debt service costs.

Every current statutory protection for Social Security can continue under BBA. Social Security is the best statutorily protected program in the federal budget. Those laws are perfectly compatible with a BBA and can remain in force, continuing to protect the system. The BBA takes away the major threats to Social Security so existing statutes can do their jobs. But if the federal budget does not have the spending restraint imposed on it by a Constitutional Amendment, we cannot guarantee that the statutes which protect Social Security now can be maintained.

CONGRESSIONAL LEADERS UNITED FOR A BALANCED BUDGET [CLUBB] FACT SHEET

HOW THE BALANCED BUDGET AMENDMENT PROTECTS SOCIAL SECURITY

The BBA would put an end to the rapid growth in interest payments that threaten to crowd out Social Security spending.

Interest payments on the federal debt have nearly quadrupled since 1980. Net interest payments in 1993 were $200 billion and are expected to exceed $300 billion annually by the end of the decade. Until we balance the budget, spiralling interest payments will continue to crowd out other spending, including Social Security.

Balancing the budget would avert the threat of runaway inflation.

No industrialized nation has reached the level of debt we will face next century without monetizing the debt by printing more dollars. Monetizing the debt would lead to explosive inflation. Huge debt burdens contributed to ruinious inflation in Germany in the 1920's and several Third World nations in the 1980's. Runaway inflation would have a particularly severe impact on senior citizens living on a fixed income. It would not do any good to get a $1,000 retirement check if bread costs $100 a loaf.

The BBA would force Congress to deal with deficits in time to prevent a budget crisis forcing draconian cuts each year just to ''muddle through.''

The General Accounting Office has warned that if the amount of deficit reduction required just to limit the deficit to three percent of GDP would increase exponentially by the year 2005. By the year 2020, Congress would be required to enact a half a trillion dollars of additional deficit reduction each year just to restrain the deficit to three percent of GDP. No program—including Social Security—would be able to escape deep spending cuts under this scenario.

Balancing the budget would promote the economic growth necessary to sustain the Social Security trust funds.

GAO, CBO and most economists warn that continued growth in deficit spending would result in lower productivity and deteriorating living standards. As real wages for taxpaying workers decline, there will be increasing resistance to the taxes necessary to meet the growing commitments of the Social Security program. GAO found that balancing the budget by the year 2001 would lead to the higher productivity and growth in real wages that would be necessary to support our commitments to the growing elderly population.

The amendment would help ensure that Congress takes action before the Social Security trust funds begin running yearly deficits.

Although the Social Security trust funds currently run a surplus, within a generation, they will face cash shortfalls. A balanced budget amendment would provide Congress and the President with the necessary incentive to take corrective action to deal with this threat and provide for the long-term solvency of the trust funds.

The amendment preserve statutory provisions protecting Social Security.

The current statutory protections for Social Security would not be eliminated by the BBA. For example, under current law, any legislation that would change the actuarial balance of the social security trust funds are subject to a point of order which requires a 3/5 vote to waive in the Senate. Under the 1985 Gramm-Rudman-Hollings Act and the 1990 Budget Enforcement Act, Social Security was completely protected from all sequesters. Social Security is not subject to the spending caps in the 1990 budget agreement. Given political realities, Congress would be likely to set budget priorities in such a way that protections for Social Security are maintained or even enhanced.

Exempting Social Security would open up a loophole in the BBA and tempt Congress to defund the trust funds, threatening retirement benefits and the trust fund surplusses.

Exempting the Social Security trust funds from the amendment would create a perverse incentive for Congress to use them as a source to fund new or totally unrelated programs, threatening the ability of the trust funds to fulfill their current obligations to retirees. For example, Congress could pay for current and new non-Social Security spending by simply depositing FICA taxes into general Treasury revenues, instead of into the trust funds. Congress also could pass legislation to shift spending for Medicare, other retirement programs, or any number of programs to the Social Security trust funds to avoid a 3/5 vote to unbalance the budget. Thus, non-Social Security outlays and receipts could be ''balanced'' simply changing program definitions and draining the Social Security trust funds.

The Constitution is not the place to set budget priorities.

A constitutional amendment should be timeless and reflect a broad consensus, not make narrow policy decisions. As noted above, the financial status of Social Security will change drastically, and perhaps quite unpredictably, in the next century. We should not place technical language or overly complicated mechanisms in the Constitution and undercut the simplicity and universality of the amendment.

SENIORS' SECURITY IN THE BALANCE

(by Larry E. Craig)

SUBMITTED SEPTEMBER 29, 1994, TO UNITED SENIORS OF AMERICA FOR THEIR NEWSLETTER

Early next year, the new Congress will again begin considering the Balanced Budget Amendment to the Constitution (BBA), as well as specific proposals to reduce federal deficit spending. Seniors will be told these efforts are an assault on their rights, economic security, and general well-being.

Don't you believe it.

The BBA and the right package of spending reforms are absolutely critical to preserving not only the well-being of seniors today and tomorrow, but also the American Dream of economic opportunity for our children and grandchildren.

The federal government has spent more than it has taken in for 56 of the last 64 years. The result is a federal debt that now totals $4.6 trillion—more than $18,000 for every man, woman, and child in America—and will reach $9 trillion by the year 2004.

Seniors are paying already, in higher taxes and lower living standards, for the drag this debt puts on our economy. The Federal Reserve Bank of New York estimated that the $3 trillion added to the debt prior to 1990 reduced Americans' standard of living by 5 percent. A General Accounting Office study projected that current trends will reduce our standard of living another 7-to-36 percent by the year 2020.

Gross interest payments on the federal debt now run $300 billion a year, an amount equal to half of all personal income taxes. Every dollar borrowed incurs interest costs that squeeze priority programs—like Medicare—and create pressure for higher taxes—like those raised last year on Social Security benefits. In contrast, if the current federal debt had not been allowed to accumulate, the savings in interest costs would have produced a balanced budget in 1994 and a $64 billion surplus in 1995.

About 10 percent of the federal debt is owed to the Social Security trust funds and is supposed to be paid out eventually in benefits. The more debt the government piles up, the harder it will be to find the cash to honor its obligations.

If the stakes are so high, why has it been so hard to balance the budget? Our system of government has changed fundamentally. While most Americans want a balanced budget, this general public interest is outgunned by the specific demands of mobilized, organized interest groups. The unlimited ability to borrow leads naturally to unlimited demands to spend. If they don't have to say ''no,'' many elected officials see only political peril in doing so.

There's no way to make it a fair fight until we put a balanced budget rule in place that Congress can't ignore, postpone, or repeal at will—and that will be true only if the rule is in the Constitution.

The United Seniors Association endorses the BBA. Unfortunately, however, some groups with an agenda of ever-expanding social programs have resorted to misleading, mass-mail scare tactics claiming the BBA would force severe cutbacks on Social Security.

Nothing could be farther from the truth. The BBA would not change the current statutory protections and priority budgetary status enjoyed by Social Security. It would not prevent Congress from enacting further protections in the future.

Most important, the BBA would do more to protect Social Security than would any other reform, by reversing and reducing the threat now posed by an ever-growing federal debt. Contrary to the alarmist groups' arguments, exempting Social Security from the BBA would not change the government's overall financing needs—it would just shift IOU's from one pocket to the other.

The BBA would be phased in over several years to ease the adjustment. Total federal spending is growing an average of more than 5 percent a year. If we simply held annual spending growth to 2.8 percent a year, we would balance the budget by the year 2001.

In addition to passing the BBA and sending it to the states for ratification, the next Congress should move toward a balanced budget by doing the following:

Give the President a modified line item veto (''expedited rescission'') authority, so that billions of dollars in narrow-interest ''pork'' cannot be hidden away in massive, must-pass pieces of legislation;

Require honesty in budgeting, so technical rules are no longer manipulated to claim that a program's spending has been cut when it actually has been increased;

Cap the overall growth in federal spending, including both the so-called ''discretionary'' and ''entitlement'' categories.

Balancing the budget is a key to saving our way of life. No one can be exempt from some belt-tightening once we summon up the discipline to move in that direction. But the Idahoans—and other Americans—I've talked to, from school children to seniors, understand the problem and are willing to bear their share, as long as deficit-reduction is spread out fairly and no one group is singled out. Debt multiplies, but so do savings. The sooner we start, the easier it will be.

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC, February 14, 1994.

DEAR COLLEAGUE: Recently, certain interest groups have raised fears that the Balanced Budget Amendment to the Constitution somehow threatens Social Security and other important social programs.

Nothing could be further from the truth. The Balanced Budget Amendment will protect the very programs that I have spent my career fighting for: Social Security, health care, education, job training, and other important programs that help people achieve economic security before and after retirement.

The most serious danger to Social Security is our enormous debt burden. If we continue to spend beyond our means, the temptation to pay for our debts by printing more and more money will become irresistible. That remedy, however, would result in the kind of inflation that would devastate the Social Security Trust Fund. After all, what good is a $1,000 social security check if a loaf of bread costs $100?

Dorcas Hardy, the former commissioner of Social Security, emphasized this point in her book ''Social Insecurity.'' Her number one recommendation for protecting the Social Security Trust Fund: balance the federal budget. That is the objective of the Balanced Budget Amendment.

Unfortunately, we still have a long way to go to meet that goal. The budget deficit is projected to remain over $170 billion in 1995. Interest payments on the debt now exceed $290 billion, only a few billion dollars behind social security payments themselves. How can we possibly hope to adequately invest in vital social programs like health care for the elderly if we keep throwing dollars away on interest? Unless we end this trend, federal support for the sick, the poor, and the elderly, as well as programs like education, will indeed be threatened.

The fact that I have spent my legislative career fighting for seniors, for health care, and for other needed social programs would, I hope, at least cause some to pause enough in their passionate rhetoric to listen, and examine. I would not be sponsoring the Constitutional Amendment if it would hurt the investments we need to build a stronger, better nation.

Only with this Amendment can we be confident that all of us will have a secure economic future.

My best wishes.

Cordially,

PAUL SIMON,
U.S. Senator.

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC, February 16, 1994.

DEAR COLLEAGUE: I recently sent you a ''Dear Colleague'' letter explaining how the Balanced Budget Amendment will protect Social Security and other important social programs that help people achieve economic security before and after retirement. Unfortunately, the most serious threat to Social Security is our runaway debt.

Subsequent to that ''Dear Colleague,'' I received a letter from Robert J. Myers, a retired public servant who helped write the legislation that created the Social Security system in the 1930's. He worked in the Social Security Administration for a total of 37 years, including 23 years as Chief Actuary and two years as Deputy Commissioner. He was a member of the National Commission on Social Security from 1978–1981 and served as Executive Director of the National Commission on Social Security Reform from 1982–1983. In the past, Mr. Myers worked as a consultant to the American Association of Retired Persons (AARP) on Social Security Issues.

Robert J. Myers is a renowned expert on Social Security matters and is an informed supporter of a sound Social Security program. He has been referred to in this body as a ''person of legendary integrity and authority'' in this area. His letter succinctly summarizes the real threat to Social Security. Although it speaks for itself, his conclusion bears repeating: ''Regaining control of our fiscal affairs is the most important step that we can take to protect the Social Security trust funds.'' He supports the Balanced Budget Amendment as the appropriate means to exercise that control.

I have enclosed a copy of Mr. Myers letter. I strongly urge you to read it in its entirety.

My best wishes.

Cordially,

PAUL SIMON,
U.S. Senator.

Enclosure.

ROBERT J. MYERS,
Silver Spring, MD, February 15, 1994.

Hon. PAUL SIMON,
U.S. Senate,
Washington, DC.

DEAR SENATOR SIMON: I am pleased to have this opportunity to express my support for the Balanced Budget Amendment.

For 37 years I worked for the Social Security Administration, serving as Chief Actuary in 1947–70, and as Deputy Commissioner in 1981–82. In 1982–83, I served as Executive Director of the National Commission on Social Security Reform. And I continue to do all that I can to assure that Social Security continues to fulfill its promises.

The Social Security trust funds are one of the great social successes of this century. The program is fully self-sustaining, and is currently running significant excesses of income over outgo. The trust funds will continue to help the elderly for generations to come—so long as the rest of the federal government acts with fiscal prudence. Unfortunately, that is a big ''if.''

In my opinion, the most serious threat to Social Security is the federal government's fiscal irresponsibility. If we continue to run federal deficits year after year, and if interest payments continue to rise at an alarming rate, we will face two dangerous possibilities. Either we will raid the trust funds to pay for our current profligacy, or we will print money, dishonestly inflating our way out of indebtedness. Both cases would honestly inflating our way out of indebtedness. Both cases would devastate the real value of the Social Security trust funds.

Regaining control of our fiscal affairs is the most important step that we can take to protect the soundness of the Social Security trust funds. I urge the Congress to make that goal a reality—and to pass the Balanced Budget Amendment without delay.

Sincerely,

ROBERT J. MYERS.

CRS REPORT FOR CONGRESS—SOCIAL SECURITY: ITS REMOVAL FROM THE BUDGET AND PROCEDURES FOR CONSIDERING CHANGES TO THE PROGRAM

(By David Koitz)

SUMMARY

Social security and other Federal programs that operate through trust funds first were counted officially in the Federal budget in FY 1969. At the time Congress did not have a budget-making process, and the trust fund programs were added to the budget by administrative action of President Johnson. In 1974, Congress began setting budget goals annually through passage of budget resolutions. Like the budgets the President prepared, these resolutions reflected a ''unified budget'' approach that included trust fund programs such as social security in the budget totals.

Beginning in the late 1970s, financial problems plaguing social security and concern over the program's growing costs and the duplicative role it performed with other programs gave impetus to measure to curtail benefits. Social security cutbacks were included in the Omnibus Budget Reconciliation Acts of 1980 and 1981 and the Social Security Amendments of 1983. However, despite passage of these cost-saving measures, resolution of the program's financial problems, and the eventual buildup of surpluses in the trust fund accounts, interest in other ways to curb social security expenditures continued because of the large Federal budget deficits that arose in the 1980s.

This routine consideration of social security constraints led to concerns that the public's confidence in the program was being eroded and gave impetus to proposals to remove social security from the budget. The result was that although social security continued to be counted in the budget throughout the decade, measures were enacted in 1983, 1985, and 1987 making the program a more distinct component of the budget and imposing potential procedural hurdles for budgetary bills containing social security changes.

Then, in 1990, reacting to criticism that surplus social security taxes were hiding the size of the budget deficits, Congress removed the program from the budget calculations. This was one of the changes in the budget process included in the $500 billion deficit-reduction legislation enacted at the end of the 101st Congress. The legislation also excluded social security from budget procedures designed to discourage tax reductions or spending increases that would increase the size of the deficits. At the same time, however, because of concern that lifting these constraints would encourage proposals that could weaken the financial condition of social security, Congress adopted new procedural hurdles for bills that would erode the balances of the trust fund accounts.

In the House, these procedures permit points of order to be raised against bills that (1) propose more than $250 million in social security spending increases or revenue reductions over a 5-year period or (2) would increase the average cost or reduce the average income of the program over the long run (considered to be 75 years) by at least 0.02 percent of taxable payroll. In the Senate, budget resolutions set specific amounts for social security income and outgo for a 5-year period, and points of order can be raised against measures that would cause income to be lower or outgo to be higher than these amounts. Approval by three-fifths of the Senate is required to waive the objection. These procedures were made effective beginning with FY 1991.

INTRODUCTION

Social security and other Federal programs that operate through trust funds first were counted officially in the Federal budget in FY 1969. This initiative was taken by President Johnson. At the time Congress did not have a budget-making process. Spending and revenue measures were adopted incrementally through appropriations laws and periodic entitlement legislation. In 1974, with passage of the Congressional Budget and Impoundment Control Act (P.L. 93–344), Congress adopted a process for developing budget goals through passage of annual budget resolutions. Like the annual budgets prepared by the President, these resolutions were to reflect a "unified" approach that included trust fund programs such as social security in the budget totals.

Beginning in the late 1970s, financial problems plaguing the social security trust funds and concern over the program's growing costs and the duplicative role it performed with other programs gave impetus to a variety of measures to curtail certain benefits. A number of cutbacks were included in the Omnibus Budget Reconciliation Acts of 1980 and 1981 and the Social Security Amendments of 1983. However, despite passage of these cost-saving measures, resolution of the program's financial problems, and the eventual buildup of surpluses in the trust fund accounts, interest in other possible ways to curb social security expenditures continued because of the large Federal budget deficits that arose in the 1980s.

This routine consideration of social security constraints led to concerns that the public's confidence in the program was being eroded and gave impetus to proposals to remove social security from the budget. The result was that although social security continued to be counted in the budget totals throughout the decade, a series of measures were enacted in 1983, 1985, and 1987 making the program a more distinct part of the budget and permitting floor objections to be raised against budgetary bills containing social security changes.

Then, in 1990, reacting to criticism that surplus social security taxes were masking the size of the budget deficits, Congress removed the program from the budget calculations. This step was one of the budget process changes included in the $500 billion deficit-reduction legislation passed at the end of the 101st Congress (P.L. 101–508, the Omnibus Budget Reconciliation Act of 1990). The new law also excluded social security from the new procedural aspects of the budget process designed to discourage tax reductions or spending increases that would increase the size of the deficits. At the same time, however, because of concern that lifting these constraints would encourage proposals that could weaken social security's financial condition, Congress included measures in that same act to permit additional forms of floor objections to be raised against bills that would erode the balances of the social security trust fund accounts.

SOCIAL SECURITY'S BUDGET TREATMENT UNDER THE SOCIAL SECURITY AMENDMENTS OF 1983

The Social Security Amendments of 1983 (P.L. 98–21) required that beginning with the Federal budget for FY 1993, income and expenditures for social security—Old Age, Survivors, and Disability Insurance (OASDI)—and the Hospital Insurance (HI) portion of the medicare program would be excluded from the totals of the budget formulated by the President and Congress and would be "exempt from any general budget limitation imposed by statute on expenditures. * * *"[1] The Supplementary Medical Insurance (SMI) portion of medicare, although remaining a component of the official budget figures, was to be more prominently displayed in the budget as a separate functional category.

The amendments also required that for FY 1985–1992 the social security and medicare programs be displayed more prominently in both the President's and congressional budgets as separate major functional categories of the budget. Previously social security was displayed in the category labeled *income security*, which included civil service retirement and disability, railroad retirement, unemployment insurance, food stamps, and other public assistance programs. Medicare was displayed in the category for health activities, which included such programs as medicaid, health block grants to the States, biomedical research, and medical education and health training grants.

SOCIAL SECURITY'S BUDGET TREATMENT UNDER THE 1985 GRAMM-RUDMAN-HOLLINGS PROCEDURES

The Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99–177) included several measures further altering social security's budget treatment. This was the original enabling legislation for the Gramm-Rudman-Hollings (GRH) deficit-reduction provisions, the purpose of which was to bring the Federal budget into balance by FY 1991. Among the changes it made to the budget process, the act accelerated the "off-budget" treatment of social security to FY 1986 (from FY 1993, as prescribed by the Social Security Amendments of 1983).[2] However, for the purpose of setting a schedule for eliminating the deficits, it stipulated that the receipts and expenditures of the social security trust funds be counted in calculating the budget deficits and enforcing the deficit goals established under the act and subsequent budget resolutions. In effect, the 1985 law appeared to make contradictory statements about how social security was to be viewed in the Federal budget.

After passage, the only notable manifestation of the off-budget status of the program was that the President's budget and other tabulations of the budget began to show what the figures would be with and without social security.

Congress altered the GRH procedures and extended the time period over which the budget deficits would be eliminated to FY 1993 (instead of FY 1991) in passing Title I of P.L. 100–119, cited as the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987. Except for the 2-year extension in arriving at a balanced budget, the treatment of social security under the budget process was not altered.[3]

Sequestration and reconciliation to enforce the budget targets

A key element of the GRH procedures was a requirement that the President reduce (or sequester) expenditures if projected budget deficits exceeded the targets set in the law. The idea was that if economic or legislative developments did not lead to meeting the targets, across-the-board spending cuts would be triggered. Social security's income and outgo were counted in determining the deficits; however, social security benefits were exempt from any spending cuts that the President was required to make.[4] Social security's administrative expenses were not exempt.

Congress could take action on its own to bring overall spending and receipts in line with the targets (and avoid sequestration) by enacting so-called budget reconciliation legislation. As part of budget resolutions, specific outlays and/or revenue targets were given to each committee, and if a committee could not meet the targets under present law provisions of the programs under its jurisdiction, it was expected to recommend changes. Recommended changes from the various committees would then be joined together by the budget committees in each House and passed as a single budget reconciliation act.[5] Social security benefits were again protected from potential cutbacks through rules that made it out of order for either the House or Senate to take up social security changes in a reconciliation bill, resolution, or conference report thereon. If an objection were raised (a so-called section 310(g) objection) against a bill that did so, a separate vote, suspending the rules under which the respective bodies operate, was required. In the Senate, this required approval by three-fifths of its Members.[6]

Procedures to maintain budget discipline

Also enacted with the GRH procedures were restrictions on bringing up legislative

Footnotes at end of article.

changes that would violate budget resolution totals (including, with respect to the Senate, the GRH deficit target) or the separate spending and revenue allocations made to each committee. Social security was affected by these restrictions in the same way as other programs; points of order (so-called sections 302 and 311 objections) could be raised against social security legislation that violated the resolution totals or committee allocations. These, too, could be overridden only by a vote of three-fifths of the Senate.[7]

SOCIAL SECURITY'S BUDGET TREATMENT UNDER THE 1990 BUDGET ENFORCEMENT ACT

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101–508) again made substantial changes in the budget process (under Title XIII, entitled the Budget Enforcement Act of 1990). Among them was the removal of the income and outgo of the social security trust funds from all calculations of the Federal budget, including the budget deficit or surplus. This measure applied to the budgets prepared by the President, to the Federal budgets formulated by the Congress (e.g., budget resolutions), and to the budget process provisions designed to reduce and control the budget deficits.[8] In the Senate, budget resolutions were to contain income and outgo targets for social security, but they were to be set separately and not be included in the budget totals themselves.[9]

Exclusion of Social Security benefits from spending limits and deficit-reduction targets

A key element of the current budget process put in place by the Budget Enforcement Act is a set of specific limits on discretionary spending (encompassing most programs requiring annual appropriations) and a ''pay-as-you-go'' requirement for direct spending (mostly entitlement programs) and revenues. For FY 1991–93, these limits and the pay-as-you-go requirement, for the most part, took the place of the overall deficit-reduction targets established under the former GRH procedures.[10] For FY 1994–95, overall deficit targets again may become critical limits in the process (although it should be noted that a balanced budget is not set forth as the ultimate target, i.e., for FY 1995). Under the old procedures, the income and outgo of social security were included in estimating the budget deficit to determine if the deficit was expected to fall within the targets set under the law. In contrast, under the current procedures social security's income and outgo are excluded from calculations of the limits (including the pay-as-you-go rule) and overall targets, with the exception of administrative expenditures, which are incorporated in a limit on discretionary spending.

As under the old law, if any of the spending limits or the ''pay-as-you-go'' rule are violated (i.e., breached or exceeded), the President may be required to issue sequestration orders to bring spending down to the prescribed limits. Social security would be exempt as it was under the old law (again, with the exception of administrative expenses).

The 1990 law also continued the old law provision (section 310 (g)) that permits points of order to be raised against reconciliation bills or resolutions that contain social security measures.

Inclusion of Social Security's administrative expenses under the spending limits and deficit-reduction targets

Under the pre-1990 law social security's administrative expenses were subject to sequestration of the GRH deficit targets were exceeded. While the 1990 law stated that social security was not be counted as ''budget authority or outlays for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985,'' there was some ambiguity about how the program's administrative costs were to be treated. The accompanying explanatory statement of the conferees reiterated that social security benefits were exempt from sequestration, but made no mention of administrative expenses. However, social security was listed among the programs subject to the limit on discretionary domestic spending with a footnote stating that portions of the social security accounts are ''non-appropriated mandatory.'' One interpretation is that the only reason social security was listed in the discretionary domestic category was to subject its administrative expenses to the limit, since benefit payments, interest, and payments to the trust funds all were explicitly excluded. An alternative interpretation is that the new provision stating that social security is not to be counted for budget act purposes was sufficient language to exempt all aspects of the program from the discretionary limit. The lack of specificity gave the Office of Management and Budget (OMB) latitude to make either interpretation, and early in 1990 OMB chose to include it in the discretionary category of the budget as domestic spending. Hence, social security's administrative expenses are subject to the 1990 budget rules and the process.[11]

Procedures to protect the Social Security trust funds

The 1990 law also made changes in House and Senate procedures intended to protect the social security trust funds from benefit liberalizations or revenue reductions that would erode their balances. Under the old law, social security's inclusion in the budget had the potential effect of thwarting attempts to increase social security spending or cut its revenue base. Points of order could be raised against such actions for violating the budget resolution totals or spending and revenue allocations if the action would be effective in the year of the budget resolution. Moreover, these violations would have potentially threatened other programs with sequestration, and posed difficulty for Congress and the President in reaching subsequent budget targets. In effect, the former process imposed a fiscal discipline on social security.

Since social security benefits are now not part of the budget, the fiscal constraints of the budget process technically no longer apply. In their place, the 1990 law established separate rules for the House and Senate that attempt to make it difficult to bring measures for a vote in the respective chambers that would weaken the financial condition of the program by reducing revenue or increasing spending without offsetting changes.

In the House, a point of order can be raised against a bill that proposes more than $250 million in social security spending increases or revenue reductions over the 5-year period consisting of the fiscal year in which the legislation becomes effective and the following 4 years, unless the bill also contains other offsetting spending reductions or tax increases that bring the net impact of the measures within the $250 million limit. In calculating the impact, any costs from prior legislation (i.e., enacted in the current or previous 4 years) that fall within the 5-year period would be counted in calculating whether the pending legislation falls within the limit. A point of order also can be raised against a measure that would increase long-range (75 years) average costs or reduce long-range revenues by at least 0.02 percent of taxable payroll. Hence, a bill whose financial impact fell within the 5-year $250 million limit could still be subject to a point of order if its long-range costs were equal to or greater than 0.02 percent of taxable payroll.

In the Senate, budget resolutions must include separate amounts for social security income and outgo for the first year and 5-year period (cumulatively) covered by the resolution. (They are separate in the sense that they are not counted in the budget resolution totals themselves.) These amounts cannot reflect a narrowing in the surplus of income (or larger deficit) from what is projected under current law. Recommended resolutions or amendments that do so could draw an objection that can be overridden only by approval of three-fifths of the Senate.[12] Simply stated, Senate rules preclude consideration of budget resolutions that would erode the ''near-term'' balances of the social security trust funds. In addition, once a conference agreement on the budget resolution is reached, allocations of the social security amounts included in the resolution must be made to the Finance Committee, and budget act points of order (under sections 302 and 311) can then be brought up against subsequent social security measures that would cause outlays to be increased or revenues to be reduced (without offsetting changes) from those reflected in the allocations to the Committee. To override these objections requires approval by three-fifths of the Senate.

Report to Congress on the actuarial balance of the trust fund by the trustees

The 1990 law also added a provision requiring the social security board of trustees to include in its annual report a statement as to whether the OASI and DI trust funds are in ''close actuarial balance.'' Traditionally, close actuarial balance is said to exist if average income over the trustees' estimating period as a whole (which extends 75 years into the future) falls within 95 percent and 105 percent of the average cost of the program. Over the years, it has been considered a primary indicator of the long-range soundness of the program. Although trustees' reports routinely have made a statement about the program's actuarial balance, the practice of doing so was not required by law. In their 1989 report, the trustees declined to make such a statement (the projections themselves showed that the program was slightly outside the lower limit of actuarial balance with average income projected to be 94.9 percent of average costs). Its absence drew an objection from the chief actuary of the Social Security Administration in his legislatively required certification of the report. The 1990 law required a statement by the trustees about close actuarial balance to be included in each trustees' report.

All reports issued since enactment of this provision have included a substantive analysis of the close actuarial balance of the system and a statement about it by the trustees.

Display of retirement trust fund balances

The 1990 law further required that budget resolutions display the balances of Federal retirement trust fund programs, presumably including social security. This display must show the amount of the securities expected to be recorded to the trust funds.

FOOTNOTES

[1] This provision became section 710 of the Social Security Act.

[2] The measure did not accelerate the ''off-budget'' treatment of HI (i.e., under the 1983 Social Security Amendments, HI was not to be taken ''off-budget'' until FY 1993).

[3] The law also contained a provision that stated that no legislation enacted after December 12, 1985, could authorize payments from the General Fund of the Treasury to the OASDI and HI trust funds and vice versa (with the exception of appropriation measures for which authority existed on or before that date). This item did not create any practical changes in the process. Basically, it was a statement

of principle that no new provisions should be enacted that would authorize new forms of interfund ''payments'' between the Government's General Fund and the OASDI and HI trust funds.

[4] Interest earned on the holdings of the social security trust funds and appropriated ''payments to the social security trust funds'' for military wage credits and benefits paid to certain uninsured recipients also were exempted.

[5] Special procedures also existed in the Senate under which a reconciliation bill could be initiated to alter a sequestration order issued by the President.

[6] The period in which the three-fifths rule would apply was extended through FY 1993 with enactment of P.L. 100–119 (under prior law, the three-fifths rule applied through FY 1991). An additional technical change was included in P.L. 100–119 altering Senate rules that previously had the effect of permitting waivers of the three-fifths requirement as it pertained to the social security and other potential ''points of order'' authorized in the 1974 and 1985 budget acts.

[7] A section 311 objection existed under the original budget act for violations of the budget resolution totals, although it was modified somewhat by the 1985 act.

[8] It should be noted that removing social security officially from the budget totals does not change how social security funds are actually handled. Social security taxes continue to be deposited in the U.S. treasury (with the appropriate crediting of securities to the trust funds) and social security expenses continue to be paid from the treasury. Hence, those who are interested in the aggregate financial flows of the Government and the impact those flows have on the economy are likely to continue to view the financial affairs of the Government on a unified budget basis (which means they would count social security in computing revenue and spending totals).

[9] These changes did not affect medicare. Although HI is scheduled to be removed from the budget totals in FY 1993 as a result of the 1983 social security amendments, it will be counted in the budget through FY 1995 for purposes of the Budget Enforcement Act rules.

[10] For FY 1991–93, the 1990 law set limits on three categories of discretionary spending: defense, international, and domestic. There is no dollar limit on the ''direct spending'' category, but it is subject to a ''pay-as-you-go'' rule requiring that any new spending increases or revenue reductions be offset with spending reductions or revenue increases enacted by the end of the session. Overall deficit targets, such as existed under the former GRH procedures, also were prescribed for these fiscal years, but adherence to the discretionary spending rules and the ''pay-as-you-go'' requirement, and required economic and technical adjustments to the budget totals made by the Office of Management and Budget (OMB), have basically made them irrelevant.

[11] Note that in FY 1994–1995, the domestic spending portion of the budget is merged with the defense and international spending portions, making a single discretionary category of the budget. Under OMB's 1991 interpretation, social security administrative expenses would be counted in this category.

[12] In its original form, this provision only precluded the Senate Budget Committee from recommending a budget resolution that would reduce the current law balances of the trust funds. It was not out of order to subsequently consider floor amendments to modify the resolution to reflect measures that would reduce the trust fund balances. Such amendments could be passed by a simple majority. In enacting the FY 1992 Budget Resolution, the Senate adopted a rule making it out of order to consider measures (including amendments to budget resolutions) that would erode the balances of the trust funds for the period covered by that resolution (and requiring approval of three-fifths of the Senate to suspend the rules to do so). In enacting the FY 1993 Budget Resolution, the Senate made this a permanent rule.

CHRONOLOGY

1990—P.L. 101–508 enacted, including among its titles, the Budget Enforcement Act of 1990. This law establishes new budget procedures to enforce a 5-year $500 billion deficit-reduction package. It includes provisions officially taking social security out of all calculations of the budget totals and creates new floor procedures (for considering social security legislation) intended to protect the balances of the OASDI trust funds.

1987—P.L. 100–119 enacted, including among its titles, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987. This law makes changes to the Gramm-Rudman-Hollings (GRH) procedures, including extending the point at which a balanced budget would be reached to FY 1993. The financial operations of the social security trust funds remain part of the budget calculations for GRH purposes.

1985—P.L. 99–177 enacted, including among its titles, the Balanced Budget and Emergency Deficit Control Act of 1985, better known as the Gramm-Rudman-Hollings (GRH) deficit reduction law. Although technically removing social security from the budget totals effective for FY 1986, this law includes social security in the budget totals through FY 1991 for GRH purposes.

1983—P.L. 98–21 enacted, the Social Security Amendments of 1983, including a provision calling for removal of the social security and the medicare Hospital Insurance (HI) trust funds from the budget totals beginning in FY 1993.

1974—P.L. 93–344 enacted, the Congressional Budget and Impoundment Control Act of 1974, establishing new procedures to formulate and control the budget that encompass a ''unified'' approach to the budget that includes social security and other trust fund programs in the budget totals.

1968—President Johnson issued a ''unified'' Federal budget for FY 1969.

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MY VOTE ON THE DOLE AMENDMENT

Mr. HOLLINGS. Mr. President, I rise today to make a brief comment on the Dole amendment which the Senate agreed to today by a vote of 87–10. I voted against this amendment and was tempted to call it a fig leaf. But upon reflection, I think the Dole amendment is more accurately an octopus amendment: It squirts out dark ink and obscures what's really going on.

The plain language of House Joint Resolution 1 constitutionally requires that the revenues in the Social Security trust fund be included in the sum of total receipts. Neither a report from the Senate Budget Committee nor any other legislative fix can override this constitutional mandate. The Reid amendment would correct this problem by changing the language of the constitutional amendment and removing Social Security from deficit calculations.

Mr. President, if Members wish to see how a balanced budget can be achieved without raiding Social Security, they should not wait on a report from the Senate Budget Committee, but instead should examine the table that I have included in the CONGRESSIONAL RECORD on January 24 and February 7 of this year. We know that we can balance the budget without looting the Social Security trust fund, but no amount of wishing will allow us to override the Constitution if the Reid amendment is rejected.

THE PROSPECT OF STABILITY, 1993–95

IN OPPOSITION TO H.J. RES. 1: THE BALANCED BUDGET AMENDMENT

Mr. MOYNIHAN. Mr. President, this will be the third and last of the papers I have presented to the Senate in opposition to House Joint Resolution 1, Proposing an amendment to the Constitution of the United States to require a balanced budget.

In the first paper I described the development of fiscal policy in postwar America, following the huge swings of the Great Depression and the Second World War. I described an economic profession growing in understanding and reach. I made the point that I saw this happen. In 1961, I joined the Kennedy administration. I became Assistant Secretary of Labor for policy planning and research. Unemployment that year reached 6.7 percent, the second highest it had been since annual rates were first recorded in 1948. There was a sense of emergency. But also a confidence that we knew what to do. The Federal Government was running a surplus. The result was fiscal drag. We would contrive to spend more and tax less, so as to stimulate the economy toward full employment.

We did and it worked. By 1966, unemployment dropped to 3.8 percent and by 1969, it reached 3.5 percent. A level, incidentally, never reached since.

Those were heady days. In 1965, in an article in ''The Public Interest'' entitled, ''The Professionalization of Reform,'' I noted that the Council of Economic Advisers forecast for GNP for 1964 was off by only $400 million in a total of $623 billion, while the unemployment forecast was on the nose. Recalling events that followed World War II, I noted that in 1964 the unemployment rate in West Germany was 0.4 percent, and not much higher in the rest of Western Europe. Indeed, unprecedented low levels for peacetime.

There had been some social learning. In the first year of the Nixon administration, contractionary fiscal policies were put in place designed to cool off an overheated economy following the buildup for the Vietnam war. Then in 1972 expansionary policies put in place by then-Director of OMB George P. Shultz stimulated the economy following the 1970–71 recession—the first since that which Kennedy inherited from Eisenhower.

In truth, the record is extraordinary. The great issue of the 19th century—the economic swings accompanied by vast unemployment—the issue which gave rise to the radical totalitarian movements that were to prove the agony of the 20th century—that issue has been resolved. A chart prepared by the Joint Economic Committee illustrates this with great clarity. Between 1890 and 1945, real growth in the economy dropped by 5 percent on three occasions, dropped by 10 percent on two occasions, and on two other occasions dropped almost 15 percent. Since 1945, there have been four tiny declines, and only one serious one, that of the recession of 1982, say 2 to 3 percent. Hardly worth noting in the pre-war economy.

We had ‘‘fine tuned,’’ as the phrase went. The contractionary policies of 1969 were, in retrospect, a little too large; while the expansionary policy of 1972 came a little too late. But the theories seemed sound and the timing likely to improve.

Both theory and practice centered on the problem of underconsumption and the avoidance of what was seen as the problem of persistent cyclical surpluses in the Federal budget.

Then came the Reagan Revolution. Earlier doctrines were succeeded by supply side economics. To say again, I saw this happen. Huge deficits appeared which were not cyclical, and which were of no possible use. To the contrary, just yesterday at the Finance Committee, Matthew P. Pink, president of the Investment Company Institute testified:

> Government statistics show that personal saving as a percent of disposable personal income has tumbled over the last decade—from a high of 8.0 percent in 1984, to a low of 4.0 percent in 1993. If government deficits are factored in, the situation appears even more bleak: since the 1960s, ‘‘net national saving’’ has dropped from more than 8 percent to less than 2 percent today.

In 1984, the Council of Economic Advisers, then headed by Martin Feldstein, the eminent Harvard economist, now head of the National Bureau of Economic Research, reported the grim news that a structural as against cyclical deficit had appeared and was not going away:

REDUCING THE BUDGET DEFICIT

> Despite the dramatic reduction in the share of national income taken by government domestic spending and the fundamental improvement in the character of our tax system, the Nation still faces the serious potential problem of a long string of huge budget deficits. Vigorous economic growth can eliminate the cyclical component of the deficit. But without legislative action, the structural component is likely to grow just as fast as the cyclical one shrinks. The Administration's economic projections imply that the budget deficit will remain roughly $200 billion a year—or about 5 percent of GNP—for the rest of the decade unless there is legislative action to reduce spending or raise revenue. Deficits of that size would represent a serious potential threat to the health of the American economy in the second half of this decade and in the more distant future.

DEFICIT PROJECTION

> The cyclical component of the budget deficit is the party of the deficit that occurs because the unemployment rate exceeds the inflation threshold level of unemployment, i.e., the minimum level of unemployment that can be sustained without raising the rate of inflation. This excess unemployment raises the deficit by depressing tax revenues and by increasing outlays on unemployment benefits and other cyclically sensitive programs.

> The remaining part of the budget deficit, known as the structural component, is the amount of the deficit that would remain even if the unemployment rate were at the inflation threshold level. The Administration estimates that the inflation threshold level of unemployment is now 6.5 percent and will decline in the coming years as the relative number of inexperienced workers declines and as the Administration's employment policies are enacted and take effect.

> Table I–2 presents the cyclical and structural components of the budget deficit for 1980 through 1989. The 1983 deficit of $195 billion was divided about evenly between the cyclical and structural components. Because of the lower level of unemployment projected for 1984, a much larger share of the current year's deficit is structural. The projected deficit of $187 billion includes a cyclical component of $49 billion and a structural component of $138 billion. By 1989, the entire projected budget deficit is structural.

TABLE I–2—CYCLICAL AND STRUCTURAL COMPONENTS OF THE DEFICIT, FISCAL YEARS 1980–1989

[In billions of dollars]

Fiscal year	Total	Cyclical	Structural
Actual:			
1980	60	4	55
1981	58	19	39
1982	111	62	48
1983	195	95	101
Estimates (current services):			
1984	187	49	138
1985	208	44	163
1986	216	45	171
1987	220	34	187
1988	203	16	187
1989	193	−4	197

And so the idea of making it go away by amending the Constitution gained greater strength.

This idea was already part of the public discourse. The new economics was hard to understand. It seemed to contradict common sense. To cite the work of Thomas Kuhn, many or most Americans lived within an economic paradigm in which countercyclical spending made no sense whatever. Would it not be agreed that Herbert Hoover had the most practical and governmental experience in national and international economics of any American President? And yet, he did not grasp the new economics. Mind, the new economics had not yet evolved, but the point is that much of President Hoover's instinctive response to the Depression of the 1930's only worsened that Depression. President Roosevelt had more of an excuse, in that he knew nothing of economics, or as near as makes no matter. But his instincts were almost exactly those of his predecessor, even denouncing in 1932 the few countercyclical measures that Hoover has instituted.

In the 1970's a grassroots movement got underway to call a constitutional convention to adopt a balanced budget amendment. In the event, some 30 State legislatures joined in this call, only four fewer than the required two-thirds. Note that the final four were not forthcoming: The prospect of hanging concentrates the minds of legislators along with other folk. But I, for one, grew alarmed. At a meeting of the Budget Committee, I asked the newest Chairman of the Council, the estimable Charles L. Schultze, if he would run the 1975 recession on their computer. He agreed and reported back a while later. They had carried out the simulation. The computer ‘‘blew up.’’ I, in turn, reported this in an article in the Wall Street Journal of March, 1981. In specific terms, Dr. Schultze reported that Federal spending dropped something like $100 billion, and GNP dropped 12 percent. Back, that is to the wild swings of the last century. Save. that there might be no upswing.

In the Wall Street Journal, I asked if we really wanted to write algebra into the Constitution.

Obviously, a majority, but not yet two-thirds of the Members of the U.S. Senate are disposed to do just that, And so I have now asked Dr. David Podoff, sometime Chief Economist of the Senate Committee on Finance and now Chief Minority Economist, if he would construct an example of what might occur if we attempted to balance the budget in the middle of a recession.

Dr. Podoff was well trained at M.I.T. by a distinguished faculty, including three Novel laureates, Professors Paul Samuelson, Robert Solow, and Fransisco Modigliani. Not surprisingly, Podoff's analysis brings Schultze's up-to-date, and quite conforms the professional judgment of, well, the profession. It is as follows:

Assume that for 1995 our $7 trillion economy is roughly at full employment—which it is—and that under the requirements of the Constitution the budget is balanced. The economy is then buffeted by external or what economists call exogenous shocks. These shocks, which could be due to financial dislocation in international currency markets which disrupt trade—a second run on the Mexican peso—oil price shocks, or world-wide natural disasters are assumed to result in an increase in the unemployment rate from 5.5 to 8.5 percent. At the height of the 1981-82 recession the unemployment rate reached 9.7 percent, so this is not an implausible level for unemployment.

Most economic models suggest that a 3 percentage point increase in the unemployment rate in associated with a 7.5 percent reduction in GDP. In turn, sensitivity analysis published by CBO in its Economic and Budget Outlook indicate that a reduction in GDP of about $500 billion leads to an increase in the deficit of $150 billion, as tax collections fall and outlays for unemployment compensation and other income maintenance programs increase.

But now the budget must be balanced. Outlays are reduced and/or taxes are increased by a total of $150 billion. This reduction in the deficit leads to further decreases in output which again increase the deficit which cause another round of budget cuts and on and on.

When this so-called multiplier process is finally completed, the downward spiral in economic activity will leave the economy in a new low level equilibrium, with output 18 percent below its potential and an unemployment rate of 12 percent.

Note the symmetry between Schultze's simulation of 1975 and Podoff's of 1995. Schultze projected 12-percent drop of GDP in an economy operating at less than full potential, off about 5 percentage points. In 1995, we are close to full employment, which is a sufficient shorthand for producing at potential GDP. Podoff suggests a drop of 18 percentage points. We may be onto an important economic insight here, but let us hope this remains in the realm of theoretical economics!

Another distinguished economist, Laura D'Andrea Tyson, current Chair of the Council of Economic Advisers, in the Washington Post, February 7, reinforced the perverse nature of balancing the budget in a recession. As she put it:

> A balanced budget amendment would throw the automatic stabilizers into reverse. Congress would be required to raise tax rates or cut spending programs in the face of a recession to counteract temporary increases in the deficit. Rather than moderating the normal ups and downs of the business cycle, fiscal policy would be required to aggravate them.

Monetary policy could moderate the swing in economic activity described in the simulations above. But as Dr. Tyson further notes in her op-ed piece:

> In a balanced-budget world—with fiscal policy enjoined to destabilize rather than stabilize the economy—all responsibility for counteracting the economic effects of the business cycle would be placed at the doorstep of the Federal Reserve.

Compared to fiscal actions, the Federal Reserve monetary actions could be constrained. Concerns about inflation, interest rates and exchange rates may prevent the Fed from acting quickly and forceful. For example, over the last year the Fed has increased short-term interest rates in seven small measured steps; and many analysts believe that the full impact of these contractionary actions have not yet been felt.

However, under the constitutional amendment, required fiscal actions to balance the budget would come quickly, unless waived by a three-fifths vote. The amendment (section 6) states:

> The Congress shall enforce and implement this article by appropriate legislation, which may rely on estimates of outlays and receipts.

In the absence of a waiver, what legislator would dare not vote quickly to balance the budget using the most up-to-date estimates of outlays and receipts? Indeed, respect for the Constitution, irrespective of the economic consequences, would require quick action.

On February 3, our revered sometime President pro tempore, Senator ROBERT C. BYRD, invited Senator PAUL S. SARBANES, formerly chairman of the Joint Economic Committee, and this Senator to join him in the Mansfield room to hear a number of economists, led by Jeff Faux of the Economic Policy Institute, present their views on the inadvisability and peril of a balanced budget amendment. Dr. Faux, incidentally, correctly predicted the devaluation of the Mexican peso in the course of the debate over the North American Free Trade Agreement. Among those who spoke, for himself and his fellow Nobel laureate at M.I.T., was Robert M. Solow, who stated in part:

> Many economists have pointed out how perverse the Amendment can be when the economy falls into recession. Then the appearance of a cyclical deficit is a desirable, functional event, not an undesirable one. At such a moment, the higher taxes or reduced transfers or lower expenditures that would be needed to restore balance will worsen the recession and do relatively little to reduce the budget deficit. Of course some escape mechanisms will be built into the amendment. But they will inevitably be slow, uncertain in their scope, and subject to manipulation by a minority. (This would be an obvious occasion for dissidents to challenge the accounting conventions in use.)

As I have remarked earlier, in the early 1980's, deficits were not viewed as a tool to stabilize the economy. Rather, they were used as a way to reduce the size of government. A debt in excess of $4 trillion is the legacy of the misuse of fiscal policy. We should not use the legacy of the 1980's as an excuse to abdicate control of fiscal policy by passing a constitutional amendment to balance the budget. Abdication would, in the words of a statement issued February 3 by several hundred economists of every political persuasion, who joined Senator BYRD, lead to the following results:

> When the private economy is in recession, a constitutional requirement that would force cuts in public spending or tax increases could worsen the economic downturn, causing greater loss of jobs, production, and income.

And, as noted in the examples of Dr. Schultze and Dr. Podoff, that is surely what will happen in a recession if we have a balanced budget amendment.

Not only were the budget policies of the early 1980's an aberration, which should not be used as a justification for adopting a constitutional amendment to balance the budget, but in the last two years we have been making progress toward achieving a balanced budget.

In the ''Economic and Budget Outlook: Fiscal Years 1994–1998'' report of January 1993, CBO projected that, by the year 2000, the deficit would reach $455 billion and exceed 5 percent of GDP.

In the ''Economic and Budget Outlook: Fiscal Years 1996–2000,'' issued last month, CBO now projects a deficit of $284 billion or about 3 percent of GDP. The proposals recently submitted by the President in his fiscal year 1996 budget message would reduce the deficit below 3 percent of GDP.

What accounts for this remarkable turnaround in the budget?

Two inter-related factors explain the reduction in the deficit. First, the Administration proposed, and Congress adopted a sizable deficit reduction package. Second, the economy performed better than expected, in part, because Congress adopted a creditable deficit reduction plan. In part, also, because, as Secretary of the Treasury Rubin remarked to the Finance Committee this Wednesday, the deficit reduction program squeezed the deficit premium, as he put it, out of real long-term interest rates. If financial markets do not believe the deficit is under control, they will levy a deficit premium on capital lending. In 1993 and 1994, we clearly persuaded the markets that we were finally serious.

I do not wish to be partisan in these remarks, and I hope I have not been. But will not forebear to note that the 1993 deficit reduction program was enacted with Democratic votes and only Democratic votes. I understand that Republican Senators are committed to House Joint Resolution 1, all but one that is, and I do not expect that to change. But I would hope Democratic Senators will recognize what I believe to be the error of the views of the other side of the aisle.

CBO estimated that the deficit reduction package enacted by Congress in August 1993 would reduce the deficit by more than $400 billion over five years. The budget resolution adopted by Congress in 1993—which required enactment of the deficit reduction package—anticipated a decrease in the fiscal year 1994 deficit of $33 billion, from an estimated baseline deficit of $287 billion to $254 billion. The actual deficit turned out to be $203, in part because of higher economic growth than projected. CBO estimates that a stronger economy reduced the fiscal year 1994 deficit by $21 billion.

The vigorous expansion was not unrelated to the adoption of a creditable deficit reduction program, which led to a reduction in real interest rates. Again, as Secretary Rubin stated, ''the deficit premium—on interest rates * * * is in my judgement largely gone.''

As a result of the deficit reduction policies we have had three straight years of deficit reduction—the first such string of declines since the administration of President Harry S. Truman. Here are the numbers:

Fiscal year:	*Deficit in billions*
1992	$290.4
1993	255.1
1994	203.2
OMB 1995 est.	192.5
CBO 1995 est.	176

But the legacy of debt for the 12 year period 1980–92 will not go away quickly and can be seen in three aspects of fiscal and budget policy.

First, net interest on the increase in the publicly held debt—accumulated during the 12 year period 1980–1992—is about $180 billion or roughly the size of the annual deficit.

Second, even without a balanced budget amendment fiscal policy remains paralyzed—as long as we are running deficits of $200 billion, for whatever reason, it is difficult to deliberately increase the deficit as an anti-inflationary measure. The public will just not accept that.

Third, the legacy of annual deficits of almost $300 billion must be reduced gradually, so as not to depress the economy. Consequently, we will continue to add to the debt. By the end of the century the gross Federal debt will approach $7 trillion.

But it can be done. Note once more. Spending on Government programs is less than taxes for the first time since the 1960s. If we keep at it, do more, the deficit could start declining in 5 years surely. The decline accelerates as smaller debt leads to lesser borrowing for interest which leads to smaller debt. But can we not do this on our own, of our own free will? I say to Senators that it won't happen otherwise. The Courts, to which all disputes under that misbegotten amendment will be referred, are not capable of making even remotely sensible decisions on fiscal policy.

Some 40 years ago, Guthrie Birkhead, professor, later dean of the Maxwell School of Citizenship and Government at Syracuse University, remarked that Americans are gadget-minded about government. The proposed balanced budget amendment is nothing if not a gadget. Allow me to offer a cautionary tale from New York history. On March 3, 1858, the New York Times reported from Albany that 86 State senators had presented a petition so brief and so explicit that it was given in its entirety:

> The undersigned, citizens of the State, would respectfully represent: That owing to the great falling off of the Canal revenue, as well as the increasing drafts upon the State Treasury, and the large expenses of carrying on the several departments of the State Government, thereby swelling up the taxes; therefore, with the view of relieving the people from the large amount now unnecessarily expended to sustain the Executive and Legislative Departments, and to secure the *honest* and better administration thereof: your petitioners respectfully ask that your Honorable body pass an act for calling a Convention to so alter the Constitution as to abolish both the Executive and Legislative Departments, as they now exist, and to vest the powers and duties thereof on the President, Vice President, and Directors of the New York Central railroad Company.

The Times special correspondent, an early advocacy journalist, explained that the proposal, while intended as a joke, nonetheless conveyed a bitter satire, a satire which is deserved and just, such were the depredations of the ruling Democrats. The time would come, he concluded, when ''after long suffering'' the people would rise and ''retaliate.''

They almost did and not long thereafter. Joke or not, the proposal passed the legislature, went on the ballot the next fall, and failed by only 6,360 votes.

The amendment failed, but retaliation came even so. The New York Democrats scarcely held office for the rest of the century. But retaliation has pursued us into the twentieth century, even to this time. The New York Democrats have controlled the New York State legislature for a total of 4 years in the whole of the twentieth century so far. Let Republicans beware. This amendment could pass.

Mr. HATCH. Mr. President, I see the distinguished Senator from Oklahoma is here. I am hoping that after he speaks, we will be able to close out the Senate for the day.

Mr. NICKLES. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. NICKLES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NICKLES. I ask unanimous consent to proceed as if in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

FOSTER NOMINATION OBJECTION

Mr. NICKLES. Mr. President, over the last 9 days, a firestorm has erupted over President Clinton's announcement that he intends to nominate Dr. Henry W. Foster as the Surgeon General of the United States.

I believe that the President erred when he chose Dr. Foster as Surgeon General, and I believe the President should withdraw his nomination. I would also recommend to Dr. Foster that he withdraw his name from consideration.

Mr. President, much has been made about the fact that Dr. Foster, by his own admission, has performed abortions. President Clinton said yesterday when he was defending Dr. Foster that the only people who are fighting this nomination are people who oppose abortion. I believe the President is wrong.

Mr. President, I might mention that I do oppose abortion. I do not make any qualms about that. I do believe it is the deliberate taking of a human life, and I think it is a mistake to have as our Surgeon General a person who routinely performs abortions. To be named as Surgeon General, you are named as the Nation's No. 1 public health officer.

Some people say, should a person be totally disqualified because of that? I would not vote for him, but that does not mean that this body would not. Likewise, I could not help but think of the reaction of many people in this body and what they would say if the medical researcher for American Tobacco Institute was appointed as Surgeon General. Smoking, like abortion, is legal, but I expect that there would be significant opposition because that is probably, again, not the right person to have as the Surgeon General.

Mr. President, my reason for speaking today and my reason for saying that the President should withdraw the nomination, is not just because Dr. Foster has performed a lot of abortions. It is because in this period of 9 days, there has been a real lack of candor from Dr. Foster. There has been a real misleading of the American people and the American Congress to the facts. I think that alone disqualifies him for this office.

The office of Surgeon General has been referred to as a bully pulpit, and it is. It is an office which gives the Surgeon General the ability to educate and to lead. And it is an office that, if one is going to educate and to lead by speaking, one has to have credibility. I think Dr. Foster has lost that credibility.

Mr. President, this morning's New York Times, in the lead editorial, calls on President Clinton to withdraw the Foster nomination. The editorial states:

> Although Dr. Foster is a highly respected obstetrician, his lack of candor about his abortion record disqualifies him from serious consideration. Misleading statements by candidates for high position cannot be condoned.

The editorial concludes:

> President Clinton promises to fight for his nominee and Dr. Foster pledges to stay the course. But this is a fight that neither the White House nor Congress really wants over a crippled candidacy. It is time to withdraw the nomination.

Mr. President, I ask unanimous consent to have the New York Times editorial printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times, Feb. 10, 1995]

THE TAINTED FOSTER NOMINATION

The nomination of Dr. Henry Foster Jr. to be surgeon general has been so badly bungled, by the White House and by Dr. Foster himself, that there is little choice but to hope it dies quickly. Although Dr. Foster is a highly respected obstetrician, his lack of candor about his abortion record disqualifies him from serious consideration. Misleading statements by candidates for high position simply cannot be condoned.

Of course the chief blame for this debacle lies with the White House, which once again put forth in a nominee without adequately vetting the person's background or knowing the answers to potentially explosive questions. As a result, the Administration put out false information on the number of abortions performed by Dr. Foster. In this as in earlier episodes, White House bungling makes it difficult for President Clinton's natural allies to support him fully. The situation moves from difficult to impossible for